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|---|---|---|
| Austria ... Sch 20 | Indonesia .. Rp 3100 | Philippines . Pes 20 |
| Bahrain .. Din 0.650 | Israel .... IS 3.50 | Portugal .. Esc 100 |
| Belgium ... BFr 45 | Italy ...... L 1800 | S. Arabia .. Rls 6.00 |
| Canada .... C$1.00 | Japan ...... Y600 | Singapore . S$ 4.10 |
| Cyprus ... C£0.75 | Jordan ... Fils 500 | Spain .... Pta 125 |
| Denmark . DKr 9.00 | Kuwait ... Fils 500 | Sri Lanka ... Rup 30 |
| Egypt .... E£1.50 | Lebanon . £L 50.00 | Sweden .. SKr 8.00 |
| Finland .. Fmk 7.00 | Luxembourg . LFr 45 | Switzerland SFr 2.20 |
| France .. FFr 6.50 | Malaysia .. Rin 4.25 | Taiwan ... NT $65 |
| Germany . DM 2.20 | Mexico .. Pes 300 | Tunisia .. Din 0.800 |
| Greece ...... Dr 80 | Morocco .. Dh 6.00 | Turkey .... L 350 |
| Hong Kong . HK$ 12 | Netherlands . Fl 3.08 | U.A.E. ... Dh 6.50 |
| India .... Rup. 15 | Norway .. Nkr 7.50 | U.S.A. .... $1.00 |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,162 — Tuesday February 17 1987 — D 8523 B

**Airlines row: Boeing counters claim on subsidies, Page 4**

World news — Business summary

## Lebanon's central bank evacuated

Lebanon's central bank closed after a telephone call from a group calling itself "Direct Action" said the building would be shelled. Staff were evacuated but the threat failed to materialise.

Meanwhile, the Lebanese pound slumped to a new low against the dollar, closing at L£119.50, down nearly L£3 since Saturday. Dealers blamed the continuing political uncertainty.

Thousands of Palestinians quit the south Lebanon camp of Rashidiyeh for the second day running, but many feared relief was only temporary from the 17-week siege of the camp of Amal Moslem militiamen. Page 3

### Iran arms probe

The US Tower Commission investigating the Iran arms scandal uncovered new and sensitive material about the the affair stored in a central computer in the White House. Page 4

### Egypt-IMF hitch

Egypt may delay signing an agreement with the IMF on standby credits until after parliamentary elections in April.

### Greek strike

A second nationwide strike within five days brought Greece to a standstill as more than 2m workers protested against a government-imposed wage freeze. Page 2

### Super-brain scheme

Plans to create a super-computer with the functions of a human brain, to meet a new Japanese challenge in the area of so-called artificial intelligence, were announced by the European Commission. Page 2

### French pay rise

The French Government decided to award civil servants a 1.7 per cent pay rise this year after negotiations with their unions reached a stalemate. The rise will be paid in three stages, in March, August and November. Page 2

### Rebel leader quits

Adolfo Calero, 55, leader of the US-backed Nicaraguan rebel alliance, announced his resignation under heavy pressure from rival Contra officials and the Reagan Administration and amidst a power struggle with moderate leaders. Page 4

### Israeli clampdown

Israeli military authorities declared several major Palestinian towns in the occupied West Bank off limits to outsiders following mounting anti-Israeli protests.

### Turkey charged

Two international labour organisations condemned Turkey's human rights record, alleging repression of trade unions and calling on Western states to step up pressure on the Ankara Government.

### Iran flights halted

Iran Air cancelled yesterday's flight to Tehran after a television show which, it said, insulted Iranian revolutionary leader Ayatollah Ruhollah Khomeini. Lufthansa of West Germany said its flights to Iran and Iraq this week were cancelled because of the Gulf War.

### Pest control aid

Five African countries – Niger, Nigeria, Chad, Mali and Burkina Faso, are to receive a total of Ecu 990,000 ($1.1m) in EEC aid for emergency control of locusts and grasshoppers.

### Posters to stay

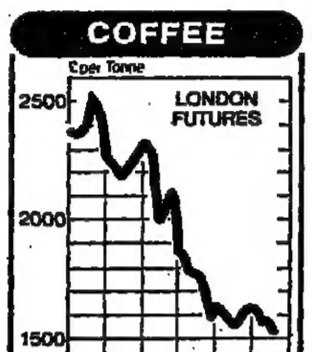
Posters advertising "Gorbachev" Vodka will remain on display at the Nordic ski championships in Oberstdorf, West Germany, despite a request by Soviet athletes that the posters be removed because they were incompatible with the Soviet leader's anti-alcohol drive.

## Eurotunnel board member resigns

SIR NIGEL Broackes, chairman of Trafalgar House, UK construction, property, shipping and hotels group, has resigned from the board of Eurotunnel, troubled Channel tunnel consortium, a week after Lord Pennock announced he would step down as British joint chairman. Page 18

SIR CLIVE SINCLAIR returns to the personal computer business with a low-cost portable machine for professionals. Page 8

TNT, Australian transport group with world-wide operations, increased first-half operating profits by 42 per cent to A$78.85m (US$52.4m) from A$55.5m. Page 20




COFFEE: Prices fell after the Brazilian Coffee Institute confirmed plans to sell coffee it bought last year in a price-support operation in Europe. On the London Commodity Exchange, coffee for May delivery closed down £36 at £1,511 a tonne. Commodities, Page 34

LONDON: Blue chips soared to record levels as investors grew confident of a tax-cutting budget, although gilts were restrained by currency worries. The FT-SE 100 index reached a record 1,925.8, up 27.7 and the FT Ordniary index rose 21.1 to a new peak of 1,542.1. Page 38

TOKYO: The sharp downward trend in share prices continued as small-lot selling increased and buying fell. The Nikkei average lost 97.35 at 19,531.52. Page 38

WALL STREET was closed for a national holiday. High-tech sector back in vogue. Page 38

GOLD closed unchanged at $397.25 on the London bullion market. It also remained unchanged in Zurich at $397.75. Page 34

In New York the April Comex settlement was $400.70.

DOLLAR fell in London to DM 1.8220 (DM 1.8295); to FFr 6.0675 (FFr 6.0965); to SFr 1.54 (SFr 1.5480); and to Y153.55 (Y153.70). On Bank of England figures the dollar's index fell to 104.0 from 104.3. Page 35

STERLING fell in London to $1.5195 ($1.5205); to DM 2.7675 (DM 2.7825); to FFr 9.22 (FFr 9.27); to SFr 2.34 (SFr 2.3525); and to Y233.25 (Y233.75). The pound's exchange rate index fell 0.1 to 68.7. Page 35

FERMENTA, financially troubled Swedish chemicals group, plans to raise up to SKr 330m ($50m), of which SKr 170m has been underwritten, in an equity issue as the second stage of its rescue package. Page 18

ELDERS IXL, Australian brewing group, announced an A$860m (US$573m) rights issue and interim after-tax profits of A$148.7m against A$57.3m. Lex, Page 18; Details, Page 29

ARBED, Luxembourg-based iron and steel producer, warned that profits and sales for 1986 would be marginally down on the previous year's levels. Page 21

BOEING, world's biggest airliner builder, rejected European criticism that it benefits from hidden government subsidies. Page 4

SEMA METRA, fast-growing French software company, increased profits by 40 per cent to FFr 40m ($6.6m) last year on sales up 24 per cent at FFr 1.4bn. The group forecast a further 25 per cent rise in earnings for 1987.

# Gorbachev accuses US of seeking arms pact break

BY PATRICK COCKBURN IN MOSCOW

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday accused the US of proposing to break the 1972 anti-ballistic missile treaty in order to deploy the first phase of Star Wars – the Strategic Defence Initiative.

Addressing a conference of Soviet and foreign writers, academics and other prominent figures, including Dr Andrei Sakharov, the leading Soviet dissident, Mr Gorbachev said that US negotiators in Geneva had proposed the "broader interpretation" of the ABM treaty, which would allow SDI deployment.

This proposal was made despite the fact that "debates on this subject are going on in Washington and between Nato allies," Mr Gorbachev said. The Administration has promised not to move to a broader interpretation of the treaty without first consulting its European allies and Congress.

The Soviet leader also confirmed that Moscow had ended its moratorium on nuclear testing.

Dr Sakharov stole the limelight ahead of Mr Gorbachev at the three-day Moscow "peace forum."

As forum participants filtered into the Grand Kremlin Palace, Mr Sakharov took his seat and was immediately surrounded by photographers and autograph-seekers.

Looking relaxed, he chatted easily with the small crowd which included Yoko Ono, Claudia Cardinale and Gregory Peck.

The incongruity of Dr Sakharov's presence at the Kremlin less than two months after his release from nearly seven years of exile in the closed city of Gorky was not lost on other participants.

Mr Gorbachev said that "revolutionary changes" were under way inside the Soviet Union, but the scale of the reorganisation showed where the Kremlin wanted to direct rescources and "spend the intellectual energy of our society." He denied, however, that the Soviet Union was adopting more flexible policies as a result of pressure from the West.

Mr Gorbachev's appeal to world opinion over the ABM treaty, while evidently aimed at putting pressure on Washington, also underlines his frustration that negotiations with the US on nuclear disarmament have made little progress

Recapitulating Soviet initiatives on arms control and on the reduction of international tension, Mr Gorbachev said: "We have brought six regiments back from Afghanistan and we shall pull out the whole of our military contingent within time limits which are as short as possible."

This was loudly applauded by Dr Sakharov, but Mr Gorbachev added that Soviet withdrawal required reciprocity from the US and Afghanistan's neighbours.

During discussions with foreign and Soviet scientists at the weekend, Dr Sakharov said that he did not believe that the SDI would ever constitute an adequate defence against nuclear attack.

But he distanced himself from official Soviet policy by saying that Moscow should discuss nuclear disarmament with the US, despite the deployment of Star Wars. This runs counter to Mr Gorbachev's decision to regard all disarmament proposals made at the Reykjavik summit as one package.

Although Mr Gorbachev made no new initiatives during his speech, the effort that the Soviet authorities have put into the meeting of about 1,000 foreigners of varying levels of distinction indicates the priority Mr Gorbachev now gives to impressing world opinion.

Meanwhile, confusion still surrounds the fate of Mr Iusuf Begun, an imprisoned Jewish dissident. Dr Georgy Arbatov, a member of the Soviet Communist Party central committee, said on US television on Sunday that Mr Begun had been released.

Mr Begun's wife, Inna, said yesterday, however, that an official at the Interior Ministry had told her that her husband was still in prison.

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MR GEORGE Younger, British Defence Secretary, warned the US yesterday that it must consult its allies well in advance of changes in its Strategic Defence Initiative (SDI) such as expanded tests or early deployment. Page 4

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# Lambsdorff fined for tax evasion, cleared of corruption

By Peter Bruce in Bonn

COUNT Otto Lambsdorff, the former West German Economics Minister, was yesterday fined DM 180,000 ($98,300) for tax evasion and aiding and abetting tax evasion.

Count Lambsdorff was forced to resign in June 1984 following the charges.

The fine, which closed an 18-month trial involving the Count and two others, also ends an 11 year old scandal, which came to be known as the Flick Affair, surrounding the funding by industry of West German political parties.

Count Lambsdorff, for whom prosecutors had sought a 15-month suspended jail sentence, was found not guilty, with the others, on corruption charges which had in any case been largely dropped a few months ago.

Mr Hans Friderichs, another former Economics Minister and former chairman of Dresdner Bank, was fined DM 61,500, roughly half what the prosecutors called for. Mr Eberhard von Brauchitsch, a former senior manager in the Flick industrial group, was given a two-year suspended prison sentence and fined DM 550,000. Prosecutors wanted him jailed for four years.

Summing up in the Bonn district court, Judge Hans-Henning Bucholz called the case "extraordinary" and said that almost all 80 witnesses in the case had suffered lapses of memory. It had been possible, though, to come close enough to the truth to pass a sentence.

He said prosecutors had been right originally to bring corruption charges because the court still entertained "a not in significant suspicion" that the Count and Mr Friderichs had received cash payments. There was, however, no apparent motive for corruption, he said.

Count Lambsdorff faced 49 charges of helping West German companies evade tax of around DM 1,5m by paying donations to his liberal Free Democrat (FDP) party through shell charities. Like Mr Friderichs, he was an FDP treasurer.

Mr von Brauchitsch was accused of evading taxes of nearly DM 18m through making payments to political parties. The Flick organisation, which used to include Daimler Benz and paid some DM 25m in party donations, has subsequently been sold off.

Continued on Page 18

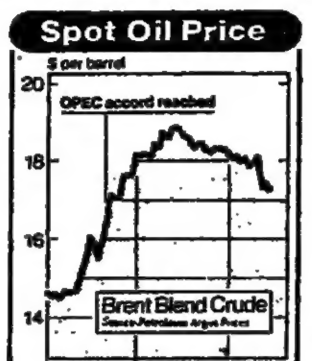
# Dubai bows to Saudi pressure for sharp cut in oil production

BY RICHARD JOHNS AND MAX WILKINSON IN LONDON

THE EMIRATE of Dubai yesterday agreed to cut its oil production by 10 per cent after an urgent personal plea from Mr Hisham Nazer, the Saudi Arabian oil minister.

The move was seen by one senior oil company executive as an important step in Saudi Arabia's efforts to exert authority over those members of the Organisation of Petroleum Exporting Countries who have been exceeding their agreed production quotas.

Mr Nazer has clearly been alarmed by the recent weakening of oil prices in the last few weeks. Last week the price of Brent crude had fallen as low as $17.20 compared with the $19 which it reached soon after Opec reached its most recent agreement in December.




Dubai's move followed an unprecedented visit at the weekend by Mr Nazer and Mr Mana al Otaiba, the United Arab Emirates Minister of Oil, to see Sheikh Mohammed bin Rushid al Maktoum, who is in charge of Dubai's oil policy.

Dubai has so far refused consistently to accept the authority of the UAE over its oil output, even though it is a member of the federation. It has also refused to co-operate with Abu Dhabi, the main UAE oil producer on any sharing of output.

This has been an important factor behind the consistent over-production of the UAE, which has been a major source of weakness for Opec in its repeated efforts last year to limit total output to match demand and so prevent the price of oil from sliding.

In a further effort to maintain a common front, Dr Otaiba, who is Opec's chairman, has called a meeting of ministers in Vienna for March 9 to discuss the vexed question of price differentials for different grades of crude.

This meeting of seven chief delegates from the UAE, Algeria, Kuwait, Libya, Nigeria, Qatar and Saudi Arabia will consider the distortions which are already appearing in the fixed price regime which came into force in February.

The main problem is that as soon as the scale of fixed prices drifts away from the prices that a free market would have paid, some Opec members have difficulty in observing their quotas, and face a strong temptation to quote unofficial prices.

In particular, Arab Heavy, produced by Saudi Arabia, is said to look over-priced in relation to North African premium crudes.

Saudi Arabia's most immediate anxiety, however, is to put a stop to the over-production by the UAE and other members including Kuwait. Since the new production-sharing agreement came into force this year, the UAE has been producing a total of about 1.2m barrels per day, compared with its official quota of 902,000 b/d.

Abu Dhabi has said that Dubai's share of the joint quota should be 220,000 b/d, but Dubai has been producing at the rate of 380,000 to 400,000 b/d according to informed oil industry estimates.

The emirates' 10 per cent cut will therefore only be a start in Saudi Arabia's efforts to bring Opec's production back from the present 16.9m b/d, to the 15.8m b/d agreed in December.

Since Kuwait, a close ally of Saudi Arabia last year, is now over-producing, and Iraq is likely to increase production in the coming months, Opec is likely to be faced with a difficult time, as demand for oil slackens in the spring.

However, Opec ministers may take some encouragement from the fact that of the major oil companies and the US Administration would prefer the oil price to settle at about

Continued on Page 18

# W Germans lead attack on plan to curb CAP costs

BY TIM DICKSON IN BRUSSELS

TOUGH new proposals to curb the spiralling cost of the EEC's Common Agricultural Policy (Cap) were unveiled in Brussels yesterday, and immediately ran into a barrage of criticism.

The plans include price cuts for a number of products – notably cereals – and a new tax on vegetable oils and fats which, it is widely agreed, would be mostly passed on to consumers.

Reaction inside the EEC was fiercest from West Germany, whose farmers are not only most implacably opposed to price cuts but would suffer from the European Commission' plans to reform the whole system of "green"currency adjustments. Mr Ignaz Kiechle, the West German Farm Minister, described the package as "extremely regrettable," and added that the resulting fall in farmer's incomes would not meet his approval.

Sir Geoffrey Howe, Britain's Foreign Minister, told journalists during a meeting of Community foreign ministers in Brussels yesterday that the oils and fats tax would create more problems than it solved. "It simply passes on the costs to the consumer and raises serious difficulties or the trading front with the US and our other partners.

Mr Frans Andriessen, the EEC Farm Commissioner, insisted yesterday, however, that the measures were needed to continue the policies begun with last year's restrictive farm price package and the decisions taken in December to cut milk production and reduce price support for beef.

If approved by farm ministers, he said, they would represent a Ecu 1bn ($1.126bn) saving on the Community's 1987 budget and a much more substantial Ecu 3.4bn decrease in spending in 1988.

"This means that the package makes a contribution to solving the Community's budgetary and cash flow problems," he claimed.

The package has three major components:

- New guaranteed EEC prices for the year starting in April covering a wide range of products from milk and cereals to wine and olive oil. These are accompanied by a number of other "related" measures, such as reducing the period during the year when the Community would buy up surplus grain from seven months to four months;
- Changes to the system of "green" currencies, the notional exchange rate used to convert common Ecu prices into national currencies. The main aim here is to reduce the scope for "disguised" price increases arising from EMS realignments – but the plans appear to imply further price reductions for West Germany;
- The oils and fats tax, or "stabilisation mechanism." This is designed to raise money to pay for the increasingly high levels of support in the sector. The Commission insists that it is non-discriminatory, but US officials are already complaining that the measure will hit their soyabean exports

Commodities, Page 34

# Alan Bond forced to apologise for 'misleading' BCI statement

BY KEVIN HAMLIN IN HONG KONG

MR ALAN BOND, the Australian brewing, media and property magnate, was forced to issue a public apology in Hong Kong yesterday for giving a misleading impression about the worth of Bond Corporation International (BCI), his newly listed local company.

This followed a protest from the territory's regulatory authorities. An investigation by the commercial crime bureau was instigated by the Securities Commission, but the attorney general's office said yesterday that no prosecution of Mr Bond would take place.

His retreat comes amid concern by the commission over the listing in Hong Kong of companies with little or no trading record, usually through the "back-door" route of taking over a dormant quoted company.

BCI groups Mr Bond's Hong Kong interests, including a portfolio of residential properties acquired from Hongkong Land for HK$1.4bn (US$179m), and a 23.7 per cent stake in HK-TVB, the television channel. A third of the company was floated in December to raise HK$136.9m, in an offer which attracted massive interest and closed 67 times oversubscribed.

Mr Bond told a press conference on January 5 – the first day of trading in BCI shares – that the company's net asset value was HK$2.60 per share. This contradicted the prospectus valuation of just HK$1.10 and prompted a steep rise in the share price.

In advertisements placed yesterday in English and Chinese language newspapers, Mr Bond admitted that his statement "was misleading and could have led the market to form an incorrect view" of the value of BCI. The notice added that "this was never his intention and he sincerely regrets his error."

Under Hong Kong's Securities Ordinance, false, misleading or fraudulent statements can carry penalties of up to seven years in jail.

The clash with the authorities was Mr Bond's second involving BCI. On December 15 Bond Corporation Holdings, his master company, announced the result of the flotation not in Hong Kong but from its base in Perth. Noisy disapproval from the Securities Commission resulted in the first apology from Mr Bond a day later.

BCI shares were suspended yesterday after speculation on the outcome of the latest investigation caused a 53 cent fall on Friday to HK$3.07.

BCI acquired its listing by injecting its property purchase into Town and City International, an existing company bought devoid of assets for HK$56.3m. In a similar move Chase Corporation, the large New Zealand investment group, announced yesterday it was to take over the listing held by the South China Morning Post, the newspaper group acquired in November by Rupert Murdoch's News Corporation.

CONTENTS



**BONN TORPEDOED BY SOUTH AFRICAN SUBMARINE CONTRACT**

U-boat plans sold to South Africa by West German shipbuilders, breaking a UN arms embargo, have surfaced to embarrass Chancellor Kohl, Page 2

# EUROPEAN NEWS

GOVERNMENT DEFIES UNIONS OVER PUBLIC SECTOR DEAL

## Pay settlement imposed in France

BY DAVID HOUSEGO IN PARIS

THE French Government has decided to implement its proposed wage increases for public employees despite failing to reach a settlement with the seven unions concerned.

Mr Herve de Charette, the Civil Service Minister, yesterday announced that the country's 4.5m public employees would receive a three-stage wage increase this year of 1.7 per cent, with the initial increment of 0.6 per cent being paid in March.

Taking into account seniority and promotion increases, total salary costs for public employees—including teachers and municipal workers—will thus rise less than the 3 per cent ceiling set by Mr Jacques Chirac, the Prime Minister.

In deciding to push ahead with the increases, the Government has effectively taken the risk of sacrificing its proposed re-launching of collective bargaining to the imperatives of holding down inflation. The unions wanted a clause that would have protected public employees against any loss of purchasing power should the year-on-year inflation rate be higher than the 1.7 per cent the Government officially anticipates.

*In foregoing a negotiated* agreement the Government wanted to cut short any further upward pressure on salaries that might be caused by the bad price figures for January expected later this week.

Mr Edouard Balladur, the Finance Minister, has already indicated that because of the *cold weather and the recent* strikes, the consumer price index could be up 0.6 per cent for the month. The Government's wage calculations are based on disinflation resuming later in the year.

*Confirming the Government's* refusal of a safeguard clause, Mr de Charette said yesterday that "to index wages and salaries is inflation." He said that inflation penalised wage-earners' purchasing power.

*Its decision—coming in the* wake of the public sector wage freeze which Mr Chirac announced last year shortly after taking power — is likely to be ill received by the unions. Mr Chirac is due to see the main union leaders over the coming days in line with the policy he outlined last month of reviving collective bargaining and a dialogue with the unions.

Although all seven principal unions declined to go along with the Government's proposals, only the Communist-led CGT has called for stoppages and demonstrations in protest. Even the Communist action seems half-hearted — seemingly inspired by the belief that strike action will obtain little more.

Mr Chirac's attempt to renew the dialogue with the unions, however, coincides with signs of a good deal of rank-and-file discontent in the public sector over wages and conditions. Primary school teachers also intend to renew their stoppages after the half-term holidays against the new powers being given to headteachers.

## How S. Africa netted Bonn's submarine plans

**Peter Bruce in Bonn** reports on an investigation into a clandestine operation to acquire naval secrets

IT HAPPENED 12 times between October 10 1984 and June 19, 1985. A container of microfilm was delivered to the South African embassy in Bonn, transferred to a diplomatic bag, and flown to Pretoria.

The operation was probably illegal, it certainly broke the UN arms embargo, and it culminated yesterday in the appearance before a two-month-old parliamentary investigative committee of Chancellor Helmut Kohl, *who appears to have* known something about it.

The microfilm came by courtesy of one of West Germany's main naval dockyards, the Howaldtswerke-Deutsche Werft (HDW) in Kiel, part of the state-owned Salzgitter concern, and an associated marine engineering group, the Ingenieurkontor Lübeck (IKL). The latter are designers and builders of one of the world's most commercially successful conventional submarines, the U-209. The microfilm carried U-209 construction plans for which the two groups were paid a total of DM 46m ($25.1m).

South Africa has three ageing French Daphne class submarines which it badly wants to supplement *through a local construction* programme at its fledgling Sandock yard in Durban. Pretoria likes the 209 because of its ability to fire ship-to-ship missiles through its torpedo tubes.

Unable to get their hands on the American Harpoon or French Exocet, the South Africans could easily use the less powerful Israeli Gabriel, which they already have, or a newly tested domestic version, Scorpion.

The Israelis, *in fact, may be help*ing South Africans to build submarines. Under West German law, weapons cannot be exported to areas of tension, but the Israelis received three 209s in the 1970 after the West Germans supplied plans to Vickers in the UK, which then built them.

Lobbying the West Germans for 209 plans for South Africa began in 1983, through a former MP from Bavaria, Mr Siegfried Zoglmann. He *appears to have won early sup*port from his old party boss, Mr Franz Josef Strauss, the Bavarian leader and a powerful lobbyist for Pretoria. Mr Kohl said yesterday that Mr Strauss had first approached him about the *submarines* in the spring of 1984.

Then, in the summer of that year the South African President, Mr P.W. Botha, made a highly publicised trip through Western Europe, pleading for understanding and patience from his big trading partners. He met Mr Kohl in Bonn on June 5 and, according to officials' earlier testimony to the investigating committee, was soon asking for the sale of plans to be approved.

At the time, Mr Kohl made something of refusing to shake hands in public with Mr Botha. But, according to Mr Horst Teltschick, his personal foreign affairs adviser, he promised to look into the request "personally" and detailed Mr Teltschick *and his then chief of staff at* the Chancellery, Mr Waldemar Schreckenberger, to study it.

Mr Kohl, who said yesterday that only a part of his talks with Mr Botha concerned submarines and that requests for arms were "usual" at such high level meetings, at one stage considered selling completed submarines to the South Africans. The aim was to ease the jobs crisis in West Germany's northern shipyards, but Pretoria only wanted *blueprints.*

After the June 5 meeting, the story becomes murky. HDW and IKL began to press very hard for export approval in numerous meetings and telephone calls to the Chancellery, citing the Israeli/Vickers example as a precedent for selling blueprints. Somewhere, at the very least, serious communications failures began to occur.

In notes now held by the authorities the head of HDW at the time, *Mr Klaus Ahlers, wrote down after* a telephone conversation with Mr Schreckenberger on July 31, 1984: "...he told us on behalf of Chancellor Kohl that the Chancellor and Franz Josef Strauss would give their approval to the middle solution, i.e. the export of blueprints and parts, of our project IK97."

Mr Schreckenberger vehemently denies ever giving the two companies that impression, but the theme reappears constantly. The companies believed (or wanted to believe) that they were being fed positive signals. The Government claims that once it decided that export approval *could not be granted, at the* latest by the end of 1984, its "signals" were negative. No one, though, seems to have tried very hard to stop the blueprint trade.

In evidence, for instance, Mr Teltschick said recently that a draft contract between the shipbuilders and the South Africans had landed on his desk but that he never read it and had it shredded. He says he told the companies on January 22, 1985, that their business could not continue.

By then, though, the deliveries had already begun and HDW and IKL were not to be easily diverted. Their final delivery of microfilm, on June 19, 1985, was actually made the day after Mr Martin Bangemann, the *Economics Minister*, expressly told representatives of the two groups, in his office, to stop.

Sensing trouble, HDW apparently then tried to give back the money.

West German governments are sensitive when dealing with their weapons producers. Between 1980 and 1983, for instance, four sophisticated PL-41/Mk3 naval navigation systems built by Litton Technische Werke in Freiburg are reported to have been delivered to Hubert Davies and Co, near Johannesburg.

The South African company is said to have won orders from Pretoria in 1985 for up to nine more systems. Litton had no export approval, but was merely told not to do it again.

Both HDW and IKL have refused to testify to the investigating committee, which had to end its work yesterday because a new legislative period begins this week. Once a legal investigation into the affair is completed, they may have to testify, but that will be to a new committee – probably one with more time to find out the truth about what happened.

## Sweden's trade SKr 1.5bn in surplus

By Kevin Done, Nordic Correspondent in Stockholm

THE SWEDISH trade balance showed a surplus of SKr 1.5bn (£152m) in January, an increase of SKr 100m compared with the same month a year ago, according to the central statistical office. The value of exports fell by 7 per cent to SKr 19.2bn, while imports fell by 8 per cent to SKr 17.7bn.

The improvement resulted solely from changes in the oil account, however. Excluding oil, the trade balance worsened by SKr 1.4bn, the fourth month running that it has deteriorated. During the final quarter of last year imports, excluding oil and ships, rose by 10 per cent in value, while the value of corresponding exports rose by only 3 per cent.

● Industrial production virtually stagnated last year, although at a high level, with an increase of only 0.4 per cent. Strongest growth was shown by the paper and board and motor industries.

The rate of increase in industrial production has slowed significantly, following a jump of 4.5 per cent in 1983 and 5.6 per cent in 1984. The volume of production rose by 2 per cent in 1985 and was then virtually unchanged until the final quarter of last year, when production was 3.2 per cent higher than in the preceding quarter, thanks chiefly to higher output from the forest products sector.

## Paris steps up security for trial

By Our Paris Correspondent

ABOUT 1,000 additional police have already been drafted into central Paris for the trial which opens on Monday of George Ibrahim Abdallah, the Lebanese-born terrorist, whose continuing detention provoked the wave of bomb attacks in the capital in September.

At the same time the weekly magazine Le Point in its yesterday's edition publishes documents showing that the French authorities knew of Abdallah's involvement in the murder of Charles Ray, the former assistant US military attache, but were none the less preparing in 1985 to release him.

He will stand trial before a court of seven magistrates under a law passed in September transferring responsibility for terrorist cases from juries to professional judges. The magistrates' lives have already been threatened and warnings received of fresh bomb attacks if Abdallah is not released.

Abdallah, who is the head of the Lebanese Armed Revolutionary Faction, is being tried on charges of taking part in the killing of two people — including Charles Ray — as well as an attempted murder. Arrested in 1984, he is being held in prison under other, more minor charges, for which he has already been sentenced.

The trial is being seen as a major test of the readiness of the French *authorities* to impose heavy sentences that could carry the risk of fresh reprisals. The US Government has lobbied hard to prevent Abdallah being released before he stood trial for the killing of the former military attache.

The documents published by Le Point show that the Socialist government had negotiated for the eventual freeing of Abdallah against the release of Gilles Peyrolles, a former French Cultural Attache in the Lebanon.

The negotiations took place in spite of the French counter-intelligence service, the DST, being aware of Abdallah's terrorist past as early as 1982—as shown by another document published by the magazine.

The magazine also publishes extracts from a new book which alleges that the government of Mr Jacques Chirac was negotiating in the wake of last September's bomb attacks in Paris for terrorist groups to spare French soil. The negotiations were taking place through North African governments and other intermediaries.

## Commission backs super-smart Brain

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission yesterday unveiled plans for an Ecu 20m (£14.8m) research project into adaptive intelligence, a technology that will equip computers with human-style learning powers.

*It has appointed six scientists* covering computing, experimental psychology, physics and neurobiology, to draw up proposals to be presented in May to the Committee for the Development of European Science and Technology, a Commission advisory body.

The Commission is extending its fondness for snappy acronyms for research projects such as Race, Esprit and Brite to call *its latest proposal Brain: Basic* Research in Adaptive Intelligence and Neurocomputing.

While the existing technology of artificial intelligence permits computers to reason within fixed parameters, Brain aims to develop the field a stage further by enabling computers to make judgments and adapt decisions to changing information.

Industrial robots with adaptive intelligence would be able to see what they are doing and make automatic corrections to changes in conditions, rather than blindly repeating pre-programmed tasks.

## Ministers deadlocked over extending radiation curbs

BY OUR BRUSSELS STAFF

EEC foreign ministers were last night deadlocked over whether to continue to impose radiation limits imposed on food in the wake of last year's Chernobyl nuclear disaster.

A meeting in Brussels was unable to agree European Commission proposals to extend for a year radiation safety standards, originally imposed last May. Formally due to expire at the end of this month, the limits apply to all food traded in the Community.

The toughest resistance to the Commission's proposals came from France and Britain, which accepted the need for some kind of mechanism to protect the population from exposure to radiation after nuclear accidents, but wanted harder scientific evidence than that available before deciding what the new safety limits should be.

The Commission, meanwhile, is unwilling to let the standards lapse so soon after persuading exports of food to the EEC to accept them. One solution being canvassed in Brussels last night was that ministers would hand the proposal back to national officials to reach an accord before the end of the month.

Another possibility is that the present scheme will be continued until member states have assessed the results of scientific symposium on radiation in foodstuffs being organised by the Commission in Luxembourg from April 27-30.

## Hoechst challenges Brussels

By Our Brussels Staff

**HOECHST, the West German chemicals multinational, yesterday challenged the legality of an unsuccessful surprise raid attempted by the European Commission on the group's Frankfurt base.**

***It has complained to the*** **European Court that the Commission's inspectors were acting outside their powers when they tried, unannounced, to get into Hoechst's offices on January 20.**

**The Brussels authorities were looking for evidence of illicit price fixing between eight major European chemicals companies. The investigation, which went *smoothly in the seven other* companies, covers PVC and polyethylene.**

**Hoechst's complaint is being filed almost a week later than originally indicated by the company because of drafting delays. It comes in response to the Commission's decision to fine the group Ecu 1,000 (£742) for every day that it refuses entry to the inspectors. The fines were originally imposed from February 5.**

**The Commission, meanwhile, is due to receive an explanation by the end of this week from the West German Government as to why Bonn is apparently failing to force Hoechst to obey EEC law and let the Community inspectors examine documents.**

**The company is relying on the strength of an injunction against the inspection issued by the Frankfurt Administrative Court.**

## Sharp decline in disaster deaths

ACCIDENTS and disasters claimed 12,000 lives in 1986, but the total was well *down on recent years*, according to the Swiss Reinsurance company, Reuter reports from Zurich.

The company, one of the world's largest reinsurance firms, reported that last year's 215 major accidents and disasters also left 2.2m people homeless.

The worst single incidents were the deaths *of 1,700 people from poi*sonous volcanic gases in Cameroon in August and the October earthquake in El Salvador, which killed 1,000 people.

The number of deaths from natural disasters and accidents has averaged 94,000 annually since 1970.

Natural disasters were responsible for more death and damage *than accidents, causing 54 per cent* of the year's fatalities.

The company also said that insurance companies had to pay out an average $3.1bn to the victims, sharply above the average annual figure of 2.1bn.

## Rotterdam strikes spread

By Laura Raun in Amsterdam

DOCKWORKER strikes in the port of Rotterdam are spreading as they enter the fifth week with mounting financial losses and an apparent deadlock between unions and employers.

*Stevedores in the container* cargo sector now have joined their colleagues in general cargo who have been staging rolling, wildcat strikes since January 19. The FNV transport union, which represents all dockworkers, said 450 container cargo employees and 580 general cargo workers were on strike yesterday.

Labour action also is threatening to spread to coal and ore transhipment companies, following a collapse of wage talks last Friday.

General cargo stevedores are protesting at plans to cut 350 jobs this year and another 450 in coming years in a bid to restore profitability after accumulated losses of Fl 70m (£22m) over the past five years. Dockworkers at European Container Terminals, the largest container cargo company in the world, are opposing demands for wage concessions or 250 redundancies to achieve savings of Fl 20m a year.

No new talks between employers and unions have been scheduled

## Underground economy gives Italy's GDP a hefty boost

BY JOHN WYLES IN ROME

AT A TIME of growing national obsession about its ranking among Western industrialised nations, Italy is about to raise the official estimate of its gross domestic product.

Istat, the government statistical agency, is expected to conclude shortly that the economy is at least 15 per cent larger than it has previously suggested.

Mr Gianni Agnelli, chairman of Fiat, among others, has long held the view that the underground, or black, economy adds official GDP figure of about another 25 per cent to the L767,000bn (£390bn).

Economists at Istat have concluded from an analysis of census results that Italians are working many more hours than revealed by the periodic studies of the labour force. One leaked suggestion is that 2m more people may be unofficially engaged in some productive work *than the official figures* suggest. The happy results are that actual unemployment must be lower than the official 11.2 per cent and that the country is producing a larger volume of goods and services than has been measured hitherto.

For those with an eye on the international pecking order, *the key question is* whether Istat will confirm that Italy has relegated Britain from fifth to sixth in the Western league table of industrialised countries.

The latest survey from the *OECD and the EEC's agency*, Eurostat, gives the UK a per capita income measured by purchasing power parities of $11,400 and Italy $9,900. This measurement uses a common base for measuring purchasing power and offers a more accurate comparison than translating national income at *current exchange rates.*

The new estimate of the Italian economy will need to add 15.2 per cent to the OECD/Eurostat estimate for it to put a nose in front of the British on a per capita basis. Less will *suffice for a straight comparison* at current exchange rates, since 15 per cent will put Italian per capita income at $10,120 against the UK's $9,600.

A more rotund official Italian economy would have other, and possibly far reaching, implications. A 15 per cent increase would knock 2 percentage *points off the public sector* deficit—at 14.3 per cent of "old" GDP, one of the largest in Western Europe. Public finances would look much healthier

Italians would at a stroke be less heavily taxed as a *proportion* of national income, and significantly less than the French, West Germans and British.

## Greek cities paralysed by strikes

By Andriana Ierodiaconou in Athens

BUSINESS ACTIVITY in Athens and the main towns around Greece ground to a virtual halt yesterday, as trade unions stepped up pressure for higher pay. The Socialist Government is trying to implement an economic stabilisation programme based on a tight *incomes policy.*

Transport, bank and factory workers who went on strike last week, were joined yesterday by civil servants and shopkeepers. The latter are demanding reforms in the *application of value added tax*, introduced at the start of the year.

Banks, state and private schools and most shops were closed, urban transport and health services disrupted and Olympic Airways' domestic and international flights cancelled. Government ministries remained open but with much reduced staff. Schools are to remain closed for a second day

The Government last month modified the system of wage indexation, boosting low salaries marginally at a cost of DR 3bn (£147m) to the 1987 budget.

## Referendum dates fixed

By Our Rome Correspondent

ITALY'S Council of Ministers yesterday fixed June 14 as the date for *key referendums on* nuclear energy and law reform.

The five-party coalition goverment is anxiously trying to agree on law changes which, under the Italian constitution, would make the referendums unnecessary. But the chances of agreement are not very strong which means the government will face severe internal strains once campaigning gets under way.

Of the five referendum questions, the most important seek to abrogate existing laws so as to put stronger political obstacles in the way of nuclear power station construction and to make judges and magistrates financially liable for professional errors.

## Banks agree talks on Saturday work

The French Banking Association said yesterday it had scheduled new talks with unions following last Friday's strike over Saturday bank opening and the rejection by the unions of a pay offer, Reuter reports from Paris.

A spokesman said the association, which represents employers of the largely state-controlled banking sector, would also make an improved pay offer at separate talks on February 27.

## Officials bitter over lack of public help in war on terror

BY OUR ROME CORRESPONDENT

THE ITALIAN authorities have complained bitterly about *the lack of help they are re*ceiving from the general public in the battle against terrorism.

Immediately after Saturday's brutal murder of two policemen in Rome by suspected Red Brigades terrorists, Mr Oscar Luigi Scalfero, the Minister of the Interior, alleged that no one telephoned the emergency services during the attack on the police car and the subsequent robbery from a post office van of L1,150bn (£582,000).

Although the minister's charge was rejected by a number of eyewitnesses who claimed that the emergency telephone lines were permanently engaged, his complaint obviously reflects a deep concern about relations between the public and the police and magistracy.

The point was driven home in remarks reported yesterday by Mr Domenico Sica, one of Rome's leading investigating judges. The struggle against terrorism was not, he said, a private affair between the police, magistrates and terrorists themselves. "The truth is that we know nothing or very little and help from the citizenry would be very useful," he added.

Judge Sica said that published photographs of three Red Brigades suspects arrested after a street shoot-out in Rome last month had not prompted any member of the public to come forward with details which might help to give a picture of the suspects' previous movements.

Such statements reveal the authorities' own uncertainties over whether Italy is facing a revival of the left-wing terrorist threat which, although largely absent since 1981, had cost more than 250 lives from 1969. Responsibility for Saturday's strike has been claimed by the "Fighting Communist Party" wing of the Red Brigades.

Some politicians fear a sinister connection between Saturday's events and the passage through Parliament last week of a law *offering freedom* to convicted terrorists. More than 70 such left-wing prisoners are *eligible for immediate release* if magistrates accept they have abandoned their terrorist organisations.

## Air fares bid

EEC transport ministers meet today in a new bid to break deadlock over moves to cut the cost of European air fares, *Reuter reports from Brussels.* Britain has tried repeatedly to win agreement on measures to introduce greater competition among Europe's airlines. Negotiations foundered in December on differences over what conditions should be attached to discount and so-called deep discount fares.

**Diana Smith in Lisbon** looks at changing attitudes and practices in trade among neighbours

## Spain and Portugal slowly bring down the barriers

EL CORTE INGLES, Spain's prestige department store chain, is offering 3,000 free trips to Portugal as part of its all-out promotion of Portuguese fashions and consumer goods.

Not long ago that would have been impossible: Spain and Portugal, neighbours who lived with their backs to each other for generations, barely noticed each other.

But a year after their accession to the EEC and clearance of the jungle of tariff, bureaucratic and psychological obstacles to bilateral trade and co-operation, the neighbours have graduated from an occasional, cautious peep over their shoulders to frontal assessment of each other for markets and, occasionally, even as industrial partners.

The turnabout has come largely because businessmen on both sides of the border, long sheltered by bureaucratic protection, have now realised that competition is not automatically synonymous with perdition.

In the run-up to EEC membership, when Portugal's customs barriers collapsed faster than Spain's, the larger, fast-moving occupant of the Iberian peninsula took aggressive advantage and muscled itself into a position where exports to Portugal outstripped purchases of Portuguese goods by a ratio of five to one.

*Even after accession and its abo*lition of visible obstacles to trade, the Portuguese were upset when Spanish labelling, calibrating or measuring regulations, hastily stitched together under pressure from parts of the Spanish business community, stopped their cutlery, footwear and heavy transport vehicles from penetrating the Spanish market.

The official Portuguese fuss paid off. Spain has relaxed this sort of obstructive regulation and Portuguese businessmen have begun to feel more confident about their chance of success in a fashion-conscious, consumer good-hungry Spanish market.

The figures bear out their nascent faith in their ability to sell well across the border.

*In 1984, with two-way trade of Es* 111bn ($777m) Portugal had an Es 48bn deficit. Its coverage of imports by exports was only 40.9 per cent. In 1985 two way trade grew to Es 135bn. Portugal's deficit was Es 50bn: coverage improved slightly, to 41.2 per cent of imports from Spain.

The latest available figures – for January-October 1986, reflecting the first impact of EEC Accession – two way trade (10 months only) boomed at Es 176bn. Portugal's deficit was Es 64bn and coverage of imports picked up, at 46.4 per cent. Coverage was expected to look better *still in the final 1986 and early* 1987 figures that will give a sharper reflection of decreased Spanish bureaucratic brakes.

In two years, Portugal expanded exports to Spain from $223m to $350m. Spanish exports to Portugal grew from $578m to $800m – pugnacious growth on both sides, making Spain Portugal's second largest supplier after West Germany, relegating France to third and Britain to fourth place and starting to put Portugal in a more prominent place on the map of suppliers to Spain.

Trade is only part of the story. Small to medium Spanish industries have begun to invest in Portugal – a new trend for Spain whose rare investments abroad were usually limited to tourism. Portuguese enterprises like Vistalegre China have taken the plunge and opened a Madrid store.

Spanish industrialists come to Portugal looking for joint ventures in less-developed border areas – Galicia, Estremadura and Andalucia on the Spanish side, the Minho, Extremadura and the Algarve on the Portuguese side where pooled resources, labour and techniques could give new impetus to those areas and EEC support funds could be jointly tapped.

Old quarrels over fishing have been settled with licensing systems under the EEC umbrella, ending an era when badly-equipped Portuguese fleets watched helplessly while well-equipped Spanish vessels scooped whatever they liked from Portuguese coastal waters.

The annual invasion of Spanish visitors – nearly 10m in 1986, several million more expected in 1987 – will be helped by new bridges over frontier rivers in the Minho and the Algarve, ending monstrous annual traffic jams.

As businessmen on both sides of the border stop waiting for the Government to protect them and start seeking new outlets, enquiries about import/export opportunities are up by 40 per cent. Portuguese bathers can now soak in luxuriant Spanish bath foam, fish eaters can dine on cod fillets or pizza, Spanish men can buy Portuguese men's shirts or briefs, and householders can deck their shelves with Portuguese crystal and ceramics.

Multinationals with Spanish or Portuguese outlets are heavy contributors to two-way trade: they start a product on one side of the frontier and finish it on the other depending on where the raw materials or labour cost advantages lie.

Meanwhile, smugglers who have always ignored barriers and busily shifted livestock, liquor, cigarettes, coffee and believe it or not, earthworms (for Spanish fishermen), continue their brand of Luso-Spanish trade with somewhat diminishing returns now that barriers that kept prices high for most of the goods in which they specialised have gone.

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OVERSEAS NEWS

# Burma battles on against a plague of insurgents

BY OUR RANGOON CORRESPONDENT

BURMA'S SUPREME leader (retired general) Ne Win once quipped that if he were asked to name a country with the biggest collection of diverse insurgent groups, he would certainly name Burma. Though spoken in a jocular mood, his words served to highlight the sad fact that this country of 37m people has been plagued by insurgents of various political hues since is became independent 39 years ago.

The situation has improved greatly over the year, but the recent fighting in north east Burma between Burmese Communists and Government troops shows that the problem is far from over.

The latest offensive was launched on November 6 with a surprise attack on a military outpost at Hsi Hsi Wan, a mountain hamlet 15 miles south of Kyuhkok on the Sino-Burmese border. The Burmese Communist party (BCP) fielded some 1,500 men, deploying them in units of about 100 each for simultaneous assaults on eight other Government outposts on hill tops in the vicinity.

By January 6 government troops had recaptured all the outposts and Kyuhkok, which had been in BCP hands for 16 years. By January 11, government troops had also recaptured the narrow corridor along the Sino-Burmese border (stretching northeast from Namkham to Muse) which had been held by the BCP since 1968. Fighting continues and BCP casualties have so far totalled 598 dead against 175 troops.

The BCP is the only organisation that can pose a credible confrontation with the government. But it has damaged its image by an appalling record of violence and cruelty and acts of sacrilege to Buddhist institutions.

It moved to north-east Burma in 1968 after a period of regrouping and began operations from there against government targets, starting with the 1970 offensive in which it captured Kyuhkok. It mounted similar offensives in 1971, 1973 and 1977, with apparently disastrous results. Its aim has always been to carve out a fairly large "liberated zone" in the border area from which to extend its operations southwards to Mandalay, Burma's former imperial city 400 miles north of Rangoon.

The latest government reports say the BCP is in financial trouble because the flow of aid from the Chinese Communist Party has dried up. It has taken up opium and jade smuggling in order to supply the money to buy firearms and medical supplies after a decision at the BCP congress held in mid-1986 at Panghsang, the border town where the BCP has set up its new headquarters.

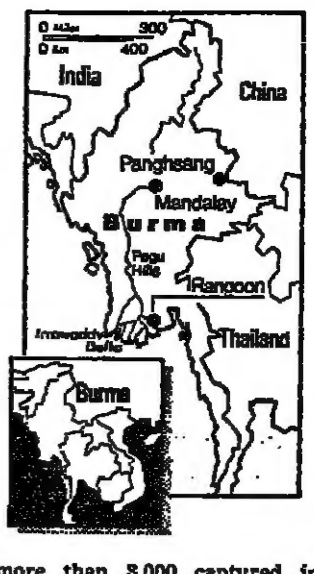
The jade trade is conducted in collaboration with the ethnic rebel group the Kachin Independence Army (KIA) and the opium trade with another ethnic group, the Shan State Army (SSA). The decision also called for secret operation of two opium refineries—one at Panghsang and the other in the Kokang area in the east—for production and sale of heroin.

The BCP has ignored offers of amnesty proclaimed by the government from time to time, but has held peace talks with the government twice, in 1963 and 1981, without success. On the second occasion it made three demands as a condition for peace: that it be allowed to continue as a lawful political party in Burma, that its armed forces be allowed to remain intact, and that the border regions under its occupation be treated as its base area. Effectively, it was a demand for a rival BCP government, with its own army and territory, which was destined for rejection.

Next to the BCP, the Karen National Union (KNU) demanding an independent Karen state has been the most active of the insurgent groups, operating from bases in south-east Burma. Since 1983, when Karen insurgents kidnapped a French technician and wife from a cement plant in south Burma, the Government has stepped up counter-insurgency operations in the area, with the result that troops seized a lucrative KNU tollgate on the Burma-Thailand overland smuggling route.

The KNU has responded with occasional strikes at civilian targets; mining the Rangoon-Mandalay train in July 1985, causing 67 deaths, and mortar attacks on a string of small towns in south Burma in 1986.

In addition to other measures, the Government has been keeping up military pressure on all groups of insurgents. Over 9,000 insurgents were killed and more than 3,000 captured in the four years to August 1985, and in the year to March 1986, as many as 1,870 were killed and 506 wounded.




# Emotions muted as alleged Nazi war criminal goes on trial in Jerusalem

BY ANDREW WHITLEY IN JERUSALEM

THE SIGN outside Jerusalem's main convention centre reads: "This way to the box office for performances." Inside, through a metal detector archway, police and women soldiers swarmed excitedly. A very unusual performance was about to begin.

Yesterday was the opening day of the Demjanjuk trial, the first trial in Israel of an alleged Nazi war criminal since Adolf Eichmann, mastermind of Nazi Germany's attempt to exterminate the Jews, was hanged in 1961.

On trial for his life under Israel's Nazi Collaborators Law is a 66-year-old retired car worker, Mr John Demjanjuk, accused of being the Treblinka death camp guard who participated in the torture and murder of hundreds of thousands of European Jews.

Unlike the Eichmann case, no-one on the defence side in this trial is denying the horrific nature of the crimes the prosecution says were committed by the man inmates knew as "Ivan the Terrible" — or the punishment the atrocities deserve. This case, Mr Mark O'Connor, Mr Demjanjuk's defending counsel, argues, is solely about identity.

The trial began in a minor key, with little of the high drama and emotion which might have been expected from such an event. Spectator seats in the specially converted theatre were barely half filled, while outside a single, forlorn demonstrator made his protest.

Indeed, considering the advance build up — Israeli leaders from President Chaim Herzog downwards insist that the importance of the trial is to remind those who may have forgotten the holocaust's horrors — the level of public interest so far appears to be minimal.

Perhaps this may have owed something to the live radio coverage of the proceedings, perhaps because the average Israeli has already taken Mr Demjanjuk's guilt for granted.

One woman sobbing uncontrollably among spectators yesterday was nevertheless a sign that, as the prosecution begins to unfold its case, passions will undoubtedly be aroused.

Questioning the Israeli court's competence to hear the case, Mr O'Connor appealed for the burly defendant's return to the US to stand trial there. Born in the Ukraine, the long-time resident of Cleveland, Ohio, has been stateless since 1981, when he was stripped of his US citizenship for concealing his wartime past.

Mr Demjanjuk was subsequently extradited to Israel where he was placed on remand for the past year while the state was accumulating its evidence.

The length of time it has taken indicates that putting together a convincing case which has a good chance of securing a conviction has been no easy task.

# Army vows to honour Philippine constitution

By Richard Gourlay in Manila

OFFICERS AND soldiers lined up in military camps throughout the Philippines yesterday to swear allegiance to a new constitution that guarantees the supremacy of civilian rule and bans soldiers from politics.

General Fidel Ramos, armed forces chief, who rejected the civilian authority of President Ferdinand Marcos last February and helped send him into exile in Hawaii, led the simple ceremony by pledging to preserve and defend the constitution.

Mr Rafael Ileto, the Defence Minister, demanded the pledge two weeks ago when voters overwhelmingly approved the new charter in a referendum that also confirmed President Corazon Aquino's six-year term.

The military as a whole voted only narrowly in favour of the constitution, whereas nationally it was approved by 78 per cent of those who voted. This prompted fears that sections of the military already disgruntled with Mrs Aquino's conciliatory approach towards dealing with the country' s18 year od Communist insurgency would not bow to the will of the majority.

# Beirut rocket threat prompts evacuation

BY NORA BOUSTANY IN BEIRUT

CENTRAL bank employees in Beirut evacuated their offices yesterday following a threat by an anonymous caller that it would be rocketed.

The call prompted an emergency evacuation of the panic-stricken staff and drew attention to Lebanon's ailing economy and the slipping value of the local currency.

An unknown group, self-styled "direct action," made a similar call to the Sunni Moslem Voice of the Homeland radio station. A combined security force of Lebanese soldiers, police and Syrian troops threw a tight cordon around the building, but the threat failed to materialise.

The exchange rate of the Lebanese pound has plummeted by over 86 per cent since January 1986 against the US dollar. Last November a rocket propelled grenade crashed into the central bank on Hamra Street in a sign of protest at deteriorating economic conditions and a rising inflation rate.

Soaring prices, flour and fuel shortages have depressed living standards in a country where almost any kind of commodity was available and where more than 80 per cent of consumer items are imported. The sinking purchasing power of the local currency is changing living and consumer patterns and has contributed to a sense of despair in the face of unending political conflict and factional fighting.

Bankers and economic specialists in Beirut have blamed the paralysis of the Lebanese Government in dealing with the country's 12-year-old crisis for Lebanon's economic woes.

Mr Rashid Karami, the Prime Minister, yesterday responded to a call by Mr Nabih Berri, the Shi'a Justice Minister, to convene the cabinet which has not met for over a year. The prime minister said ministers should "meet anytime and any place" to steer the country out of the abyss. Mr Berri suggested yesterday that Lebanon's National Unity cabinet should meet in Damascus.

Meanwhile, attempts to bring in food supplies into Palestinian refugee camps in Beirut and South Lebanon were stalled. Mr Per Halquist, the Swedish director of the United Nations Relief and Works Agency said a convoy of trucks was turned back at the Rashidieyeh camp near Tyre by Shia Amal militiamen. About 15 tons of a 90-ton shipment of flour, fruit and milk as well as other supplies was distributed to the nearby camps of Al Bus and Bourj Chemali over the weekend.

Richard Johns adds: President Amin Gemayel yesterday told Mrs Margaret Thatcher, the UK Prime Minister, and the Archbishop of Canterbury, Dr Ronald Runcie, that he would do everything in his power to help with the release of Mr Terry Waite, the prelate's missing envoy.

Like Sir Geoffrey Howe, the Foreign Secretary, on Sunday night they took pains to emphasise UK support for the sovereignty, independence and territorial integrity of Lebanon while being well aware that the hapless head of state has no power or even influence which might help free the Anglican emissary from the extremist Shi'ite elements holding him. Mr Gemayel's meeting at No. 10 Downing Street lasted an hour.

# Current account deficit in Australia grows

By Chris Sherwell in Sydney

AUSTRALIA'S current account deficit widened sharply in January after two months of improvement, and the worse-than-expected performance prompted a negative reaction from financial markets.

Figures released by the bureau of statistics showed a current account deficit of A$1.29bn (£545m), more than double the revised December figure of A$598m. The November deficit was A$871m.

In response, the Australian dollar quickly weakened from 66.4 US cents overnight, and dipped below the 66 cent mark to finish at 65.7. Bankers thought intervention from the reserve bank helped cushion the fall.

The Government said volatility was always likely in monthly figures and that the country's balance of payments problems were not going to be solved overnight.

But Mr John Howard, leader of the opposition Liberal Party, condemned the performance, saying it was the worst January deficit ever.

Analysts said the current deficit for the full year may still exceed last year's record and exposed the need for Australia to impurove its competitiveness. The Government is keeping open the option of a mini-budget in May.

One significant feature of yesterday's figures lay in the capital account, which showed a large A$2.34bn fall in the Government's official reserve assets—to A$13.85bn.

# Divided MPs try to lure Sir Joh back

By Our Sydney Correspondent

FEDERAL MPs in Australia's deeply divided opposition National Party made a desperate bid yesterday to bring Sir Joh Bjelke-Petersen, the maverick Queensland Premier who is campaigning noisily against them, back into the fold.

Success with the move is critical to the future of the party and of its coalition with the Liberals. The outcome is also important to the Labor Party Government led by Mr Bob Hawke, the Prime Minister, who must call an election before April next year.

In his meranding campaign around the country, Sir Joh has attacked both his own National Party and the Liberal Party as losers. The 76-year-old right-wing leader has said he wants to move into federal politics and become Prime Minister.

He initiated his plan at Christmas but has carried it to fresh heights over the past fortnight. Although it has appeared to help the Labor Party, opinion polls indicate popular support for his message of slashed taxes, smaller Government and weaker unions.

Yesterday, in what was portrayed as an "olive branch" to Sir Joh, the National Party's 26 federal MPs said they agreed with the thrust of Sir Joh's aims and requested him to become involved with the party's bid to remove Mr Hawke from office.

The conciliatory statement followed an extraordinary appeal from Sir Joh urging the MPs to desert Mr Ian Sinclair, the National Party leader.

# AMERICAN NEWS

## British call for consultation on changes to SDI

BY DAVID BUCHAN IN LONDON

THE US must consult all its allies well before making any changes in its Strategic Defence Initiative (SDI) such as expanded testing or early deployment of a space-based missile defence system, Mr George Younger, the UK Defence Secretary, said yesterday.

Mr Younger, who gave the warning before leaving London for three days of talks in Washington, said there had been "a lot of words about possible changes over the past few weeks, and as a very close ally, I want to be briefed about any changes."

President Reagan had, at successive Camp David meetings with Prime Minister Margaret Thatcher, made clear there would be no change in US policy on Star Wars without allied consultation, Mr Younger said.

But, the fact that Britain wants further confirmation of this, indicates increased nervousness in London and elsewhere in Europe that US policy is changing under pressure from Star Wars enthusiasts such as Mr Caspar Weinberger, the US Defence Secretary.

Mr Younger will see Mr Weinberger this week in talks with both the US Administration and with congressional leaders on Capitol Hill.

He made clear yesterday that mooted changes to Star Wars would not be to Britain's liking. The narrow interpretation of the 1972 anti-ballistic missile treaty, which would probably block any large scale or space-based tests of SDI technology, "is the one we think it wise to stick to," he said.

The UK government understood the need for – and indeed participated in – US research into SDI technology, an area in which "the Soviet Union is embarking flat out on a similar programme," Mr Younger said.

"But we do not believe the case has yet been made for any deployment" of an SDI system.

Britain had understood that deployment was a long way off.

Mr Younger said he would not try to publicly define a "narrow interpretation" of the ABM treaty. That would not be proper because the UK was not a party to this US-Soviet pact. "But we shall make our views about consultation known," he said. This appeared to be a veiled response to the recent remark made by Mr Kenneth Adelman, the head of the US arms Control Agency, that US allies should confine their advice to Washington to issues they knew something about.

## St Lucia airline threatened over arms trafficking claim

BY CANUTE JAMES IN KINGSTON

THE St Lucia Government has threatened to wind up the privately-owned St Lucia Airways if it is found to have transported US arms to Iran and Zaire.

Mr John Compton, the island's Prime Minister, said no airline privately or publicly-owned, would be allowed to carry the country's name while trafficking in arms.

The government has launched an investigation into allegations in newspapers in London and New York that the airline had used leased aircraft to carry arms to Zaire for the US and had carried arms and US Government officials to Iran last year.

Mr Dietrich Reinhart, the airline's managing director has denied the charges and the company says it will co-operate in the Government investigation.

The company, owned by West German nationals, is reported to have used Boeing 707 and Hercules C-130 aircraft to ferry arms and ammunition to Zaire three times last year to be used by Angola's Unita rebel group, backed by the US and South Africa. The flights to Iran are reported to have been made last February.

## Secrets of Irangate 'stored in computer'

By Lionel Barber in Washington

THE TOWER Commission investigating the Iran arms scandal has uncovered sensitive material about the affair stored in a central computer in the White House, it was reported yesterday.

In an eerie evocation of the Watergate tapes, Newsweek magazine said a computerised message system known as "PROFS" had recorded an avalanche of material showing that senior Administration officials, including Mr William Casey, former head of the CIA, and the White House Chief of Staff, Mr Donald Regan, were more deeply involved than previously assumed.

The Tower Commission last week asked for a seven-day extension of its February 19 deadline following what is described as the discovery of "new material."

President Reagan, who appointed the three-strong panel, headed by the former conservative senator from Texas, Mr John Tower, to investigate the workings of the National Security Council, granted the request.

The existence of the council's computer system was disclosed by the Washington Post's Watergate reporter, Mr Bob Woodward, but the White House dismissed the story.

Newsweek said yesterday that many council staff thought their messages had been erased, but a record was kept in a central memory bank.

The chief disclosures appear to be that Mr Reagan was aware of Lt-Col Oliver North's private fund-raising activities for the Contra rebels in Nicaragua during Congress's ban on direct and indirect US aid in 1984-85.

Vice-Admiral John Poindexter, President Reagan's National Security Adviser, who resigned last year over the affear, is also reported to have spoken, through the computer, regularly to Lt Col North, sacked for diverting profits from secret US arms sales to Iran to the Contras. The material also apparently documents many conversations between Lt Col North and Mr Casey.

Mr Herb Hetu, of the Tower Commission, said yesterday that no evidence of criminal activity had been discovered by the panel.

## Ortega to be invited to discuss peace plan

BY PETER FORD IN SAN JOSE

NICARAGUA'S neighbours decided at a presidential meeting here at the weeknd not to endorse a Costa Rican peace plan for the region but instead to discuss it further with President Daniel Ortega, head of the Sandinista Government.

As presented by President Oscar Arias of Costa Rica to colleagues from Honduras, Guatemala and El Salvador, the plan would require all governments in the region facing arms rebellions to declare immediate ceasefires and amnesties within 60 days.

They would also open talks with "internal disarmed opposition groups," allowing them full political rights in a campaign for elections to a planned Central American parliament in early 1988.

At the same time, all the Central American governments would ask outside powers to cut off aid to rebels and hinder the use of their own territory by such rebels. This would end US support for the anti-Sandinista Contra guerrillas, for example, along with Honduran complicity in the Contra's actions.

Although President Arias had hoped to win agreement for the plan from the three other Central American leaders, for Nicaragua's subsequent acceptance or rejection, President Vinicio Cerizo of Guatemala is understood to have refused to support such an ultimatum.

Instead President Ortega is to be invited to a meeting of all five Central American presidents in Esquipulas, Guatemala, within three months, at which the plan will be open to "substantial modifications," President Arais said. The five regional leaders met for the first time last May in Esquipulas.

While the Costa Rican initiative suggests that the Contadora group of Latin American countries should help verify compliance with the agreement. President Arias was clearly presenting his plan as an alternative to the stalled Contadora treaty.

The four presidents called the new proposal a "valid, timely and constructive instrument" for reaching a negotiated settlement to the Central American crisis. Such language has hitherto been reserved for the Contadora protest alone, political observers pointed out.

Though the Costa Rican plan is aimed at all Central American governments fighting guerrilla wars, including El Salvador and Guatemala, the bulk of it is clearly directed at Nicaragua.

Asked whether he thought Washington would comply with a Central American call for an end to Contra aid, President Arias said that if his plan were approved "the causes for exercising military pressure to seek the democratisation (of Nicaragua) would disappear."

The implication was that if the plan broke down, Nicaragua's neighbours would support continued military pressure on Managua to introduce reforms.

In fact, the Costa Rican proposal requires relatively few concessions of Managua. It does not ask the Sandinistas to talk to the Contras, which they have always refused to do, and does not call for new domestic elections before they are constitutionally due in 1990.

Costa Rica is to present Nicaragua with its peace proposal and an invitation to Esquipulas within a few days, President Arias said.

## Contra leader quits under US pressure

**MR ADOLFO CALERO, one of the three leaders of the US-backed Nicaraguan Contra rebel alliance, resigned yesterday under heavy pressure from the Reagan Administration and rival rebel leaders, Lionel Barber reports from Washington.**

**The resignation of Mr Calero, a hard-line conservative and former senior army officer under the toppled Nicaraguan dictator, President Somoza, indicates that Washington has intervened to force changes in the political leadership of the Contras to try to secure $105m (£70m) of aid from Congress this year.**

**Pressure for changes within the United Nicaraguan Opposition had been building after a resignation threat by Mr Arturo Cruz, a moderate rebel leader. Supporters of the Contra cause in Congress warned the White House that, if Mr Cruz departed, Mr Reagan's funding request would be dead on arrival on Capitol Hill.**

**Senior US officials, notably Mr Frank Carlucci, President Reagan's new National Security Adviser, have also been worried by the Contras' failure to score military successes against the Marxist Sandinista Government in Nicaragua and about the political fall-out from the Irangate affair.**

**Mr Calero, while resigning from UNO, intends to retain his military post as head of the Honduras-based Nicaraguan Democratic Force (FDN), the largest of UNO's rebel armies. This suggests that Mr Calero will retain control of the Contras' guerrilla war against the Sandinistas, leaving him in a powerful position.**

**One senior rebel officer, speaking to Reuters news agency in Miami, where Mr Calero announced his resignation, said: "The crisis is far from over."**

Canute James reports on a growing threat to Commander Bouterse's government

## Surinam rebels tighten hold on economy

Surinam anti-government rebels, dormant since December, have rearmed and reorganised to attack key economic targets in a bid to bring down the seven-year-old army government of Commander Desi Bouterse.

Rebel sources in French Guiana, to the east of Surinam said the first move was the recent sabotage of lines which carry electricity from a hydro power station at Afobaka to Paramaribo, the capital, 73 miles to the north. The attack, the most telling since the insurgency began last July, has brought the country's economy to a halt.

The spokesman for the rebels denied government reports that the insurgency had been defeated and dispersed. Dr John Kolader, Surinam's ambassador to the English-speaking Caribbean, said recently that the army had been successful against the rebels and that only small, ineffective bands remain in the former Dutch colony.

"We have spent the past six weeks getting a higher level of training and more equipment and we are more selective in what we do," the representative of the rebels said. "We still control the east of the country, but now we are selecting targets instead of confronting the army. We are now moving to Paramaribo. The attack on Blaka Watra and on the power lines shows our strength and our intentions."

Blaka Watra, 28 miles from Paramaribo, is the cloest the rebels have been to the capital. The spokesman, however, refused to disclose who had been retraining the rebels, or give the source of the new arms and munitions. He also refused to discuss the size of the rebel group, said by the Surinamese Government to be about 600 men.

The rebels draw most of their support from the boschenegers (bush negroes) — descendants of slaves who escaped to the interior and who have since


claimed they have been neglected by the Dutch colonial government and subsequent administrations in Paramaribo.

Commander Bouterse's administration has frequently accused the French and Dutch governments of assisting rebels

Diplomats in Paramaribo report, however, that the leader of the rebels, Mr Ronny Brunswijk, a former private in the Surinamese army, is only a figurehead in the efforts to topple Commander Bouterse and that the movement is being supplied and financed by exiled Surinamese politicians in Europe. The two most frequently mentioned are Mr Henk Chin-a-Sen, a former prime minister, and Mr Andre Haakmat, a former foreign minister.

Mr Brunswijk, a 25-year-old "bush negro," is well-known to Commander Bouterse. He was a bodyguard to the army leader until he was dishonourably discharged for what government officials say were "several crimes."

The sabotage of the power lines has increased Commander Bouterse's difficulties and threatens his ability to hang on to the Government of the South American country, two-thirds the size of Britain, but with a population of only 350,000

Pressure on the Government has increased with the resignations of five members of the Cabinet.

The disaffected ministers felt the administration should move quickly towards liberalisation and party political democracy to neutralise the political appeal of the rebels.

The Aluminium Company of America and Royal Dutch Shell, whose subsidiaries run Surinam's bauxite mining and refining and aluminium smelting industries, have closed all their plants indefinitely because of the lack of power and alleged sabotage by displaced workers.

The threat to the economy, and to the Government's survival, is likely to send Commander Bouterse scrambling for assistance. He has few options. Once-generous aid from the Netherlands was cut off after the army murdered 21 government opponents four years ago. The US has not been happy with Commander Bouterse's leftish-sounding statements.

# WORLD TRADE NEWS

## Tokyo move to water down foreign telecom bid

By Ian Rodger in Tokyo

JAPAN'S Ministry of Foreign Affairs has warned the Ministry of Posts and Telecommunications (MPT) not to try to remove foreign companies from a consortium competing for the franchise for Japan's second international telecommunications service.

It said the British Government was giving the highest priority to the case, implying that relations between Japan and Britain would be damaged if the foreign companies, which include Cable and Wireless (C and W) of the UK, were forced out.

C and W is a leading partner in International Digital Communications Planning (IDC), one of the consortia competing for the franchise. Mr Shunjiro Karasawa, the Minister of Posts and Telecommunications, told Mr Paul Channon, the UK Trade and Industry Secretary last November of his opposition to C and W's participation.

Since then, the Ministry has tried, without success, to arrange a merger of the two consortia which are competing for the new franchise, apparently with a view to diluting the interest of C and W, now 20 per cent, and the two other foreign companies in the IDC consortium, Pacific Telesis (10 per cent) and Merrill Lynch (3 per cent) of the US.

The Foreign Ministry, in its letter to the MPT, pointed out that the enabling legislation for new franchises, drafted by the MPT itself, provided for up to one third foreign participation in international telecoms projects.

Meanwhile, Kokusai Denshin Denwa (KDD), currently the monopoly international telecommunications supplier in Japan, denied a newspaper report that it believed a fourth trans-Pacific telecommunications cable would be needed before 1995.

The report was of interest because IDC has proposed that the MPT resolve the current controversy by issuing licences to both consortia. The MPT has argued against that on the grounds that it would cause overcapacity. C and W proposes, with others, to lay a trans-Pacific cable between Japan and the US if IDC wins a Japanese franchise.

The MPT is now considering the applications of both the consortia

## Boeing 'sets the record straight' on hidden subsidies

Michael Donne reports on a rebuttal of charges of unfair competition

BOEING, the world's biggest builder of jet airliners, has produced a detailed rebuttal of criticisms from Western Europe that, together with other US civil aircraft manufacturers, it benefits from hidden government subsidies.

The European criticisms were levelled after the US Government and aerospace industry claimed that the European Airbus Industrie consortium has benefited by $8bn to $10bn of government subsidies, thereby creating unfair competition for US manufacturers.

The US regards this support as violating the international General Agreement on Tariffs and Trade (Gatt) and its concern brought a team of US officials to London, Paris and Bonn recently to make formal complaints. They met a cool reception, however, and their complaints were rejected.

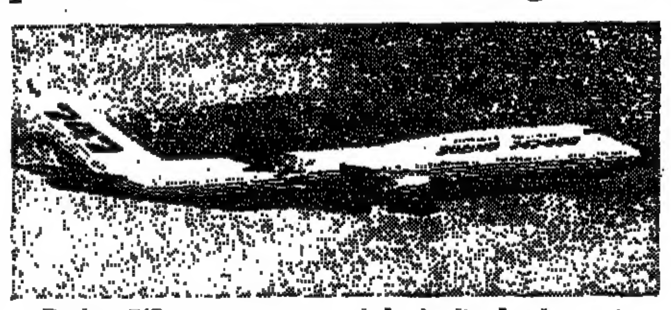
After the US visit, a statement by the French Ministry of Foreign Trade said that the support given to Airbus "had done no more than put the European manufacturer in a comparable position to that of its American competitors which enjoyed massive aid, more especially through military orders."

It pointed out that Airbus had originally been founded to provide a powerful concern capable of standing up to the American industry which has held a virtual monopoly in commercial aircraft manufacture. The existence of Airbus, the statement said, was in the world airlines' interests. Competition from Airbus was perfectly consistent with international agreements and in particular Gatt.

The Europeans' counter-attack is now in turn rebutted by Boeing in a hard-hitting document called Setting the Record Straight.

"Behind the Airbus facade are Europe's leading defence contractors, supported by government investments, orders, loans, guarantees, facilities, tax advantages, research funding and political ties," the document says.

"The Airbus governments claim to their taxpayers that civil transport manufacture is, or could be, commercially viable. After 17 years of supporting Airbus, the European taxpayer is entitled to ask, where is the bottom line for Airbus?"



Boeing 747: no government help in its development.

The Boeing document declares that "no Department of Transportation funds are used for commercial transport design and development," and that "no US Government programmes support engineering or manufacture of specific commercial aircraft."

In contrast, says Boeing, government approval and research and development funding was given to Airbus for the development of the A-300, A-310 and A-320. Government aid of up to $2.5bn is now sought for two new programmes, the A-330 and A-340.

Boeing says that in the five years to 1984, commercial aircraft sales accounted for nearly 65 per cent of its total sales, whereas military aircraft contributed only 21 per cent.

In contrast, the Airbus partners competing against Boeing are Europe's dominant military producers and arms exporters.

"The combined military sales of British Aerospace, Aerospatiale, MBB and CASA are twice those of Boeing. Airbus benefits to a much higher degree than Boeing from the military leverage which allows its partners to keep their commercial teams and resources intact to launch new programmes."

The document adds that "the Boeing Commercial Airplane Company (a subsidiary of the Boeing Company) is not a major government contractor, and the company recovers directly only a very small proportion of its overheads through government contracts."

Moreover, Boeing has invested its own money in property, plant and equipment. Approximately 70 per cent of Boeing's total investment in recent years was made to support the commercial jet transport activity. Today its plant and equipment are worth $3.9bn.

"No government-owned tooling, machining or equipment is used by Boeing in its commercial jet transport activities," says the document, adding that "all of Boeing's commercial airplane production improvements have resulted from private investment.

"By contrast, Europe's state capitalism does provide the Airbus partner companies with government backing for improving manufacturing processes."

Boeing adds that it has never asked for nor received a Federal loan guarantee, whereas by contrast European governments since 1971 have backed the Airbus consortium with direct loans for development of all Airbus products, with interest-free infusions of operating capital for production and with guarantees that permit the waiving of repayment.

"Some loans are conditional, with repayment depending on the profitability of Airbus. The total investment to date is approximately $8bn to $10bn."

Boeing also says that US tax provisions do not discriminate against foreign-produced aircraft or other equipment, nor does Boeing receive special treatment under US tax laws. The Boeing Company benefits from access to military markets, but the Airbus partners' revenues from defence sales are far higher than Boeing's.

McDonnell Douglas, the other major commercial airline maker, has also attacked Airbus, and it is understood that it is likely to share the arguments put forward by Boeing. McDonnell Douglas of the US has alleged the Airbus has engaged in price-cutting to win orders against the projected MD11 tri-jet.

## EEC offers deal to end procurement tender row

By William Dullforce in Geneva

THE EEC has settled a dispute with the US by agreeing to reduce by 13 per cent the contract value at which Community public works procurements have to be opened to international competition.

In practice this means that public purchases within the Community of SDR 115,000 ($143,750) or more will be subject to the provisions of the Gatt Agreement on Government Procurement from January 1, 1988 and therefore to international tender. Under improvements to the Gatt agreement the threshold for other countries will be reduced from the current SDR 150,000 to SDR 130,000, including indirect taxes.

The dispute dates back to 1983 when the US charged that the EEC's practice of excluding value added tax (VAT) from the contract price of member governments' purchases violated the Gatt Agreement. The effect, the US claimed, was to raise the threshold at which EEC contracts had to be put to international tender.

Last week at a meeting of the Gatt committee on government procurement the EEC offered a unilateral reduction of 13 per cent in the threshold applicable to Community states. This, it said, was equivalent to the average effective rate of the different Community VAT regimes.

Describing the offer as a "once and for all" solution, the Community said it would be implemented simultaneously with the new threshold provided for in the protocol amending the Gatt agreement negotiated last November.

## Japanese fighter 'a frivolous way' to spend money

**JAPAN WOULD be wasting its limited defence funds if it decided to develop a new fighter aircraft, according to an executive of McDonnell Douglas, the US aerospace group, Ian Rodger reports from Tokyo.**

**"It would seem to me a very frivolous way to fritter money away," Mr Jim Burton, president of McDonnell Douglas Japan, said at a Tokyo press conference.**

**The Japanese Defence Agency (JDA) is seeking new fighter support aircraft, code-named FSX, to replace its ageing fleet of 70 Mitsubishi F1s. A decision on the new aircraft, which has been delayed for about a year because of arguments over the best action to be taken, is expected within the next few weeks.**

**The Japanese aerospace industry is pressing hard for approval of its buy one of McDonnell Douglas F18 and the General Dynamics F16. Panavia, the West German-two US products, the Italian-British Aerospace consortium, has offered the Tornado, but it is thought to have only an outside chance.**

**Mr Burton acknowledged that it was "the profound wish of (Japanese) industry and some of the military" to have a domestic development programme. However, he said such a programme had not met the financial test.**

**As a military aircraft maker, Japan suffers from the small size of the domestic market and the near sacred national policy prohibiting the export of military equipment. This means that the unit cost of locally developed military equipment tends to be much higher than in other industrialised countries.**

**Mr Burton suggested that the cost of developing a new aircraft, which would be used in only three squadrons, would be about double that of purchasing one. "Even if funds were limitless, this would seem imprudent," he said. Also, he thought the US Government might ask Japan if that was the best way to spend its money.**

**Mr Burton confirmed that the Japanese Government has been trying to resolve the debate by exploring the possibilities of a joint US-Japanese development project.**

## UK-Swiss gas turbine talks

By John Wicks in Zurich

BROWN BOVERI, the Swiss engineering group, is negotiating with Rolls-Royce of the UK on co-operation in the gas-turbine business.

The companies are among Europe's leading gas-turbine manufacturers.

Any agreement would combine Brown Boveri's experience in power station engineering with that of Rolls-Royce in the aerospace sector.

## Chrysler plan for Europe

BY PATRICK BLUM IN VIENNA

CHRYSLER of the US is to launch a Europe-wide distribution network in the autumn as part of a marketing plan to boost car sales in selected European countries.

The company intended to set up distribution networks in Austria, West Germany, Switzerland, Belgium and the Netherlands, Mr Robert S. Miller, Chrysler deputy chairman and chief financial officer, said in Vienna at the company's formal listing on the Vienna Bourse.

Projected sales "will be modest by the standards of the major European manufacturers," Mr Miller said. They are expected to be a few thousand vehicles annually, at least, in the initial stages, and the vehicles would range from a mini-van to the new Le Baron luxury car.

The cars will be shipped from North America, an option made viable because of the fall

## EEC queries US-Japan chip pact

THE EEC is to ask the General Agreement on Tariffs and Trade (Gatt) to examine the US-Japan semiconductor accord, AP reports from Brussels.

A Commission official said it would formally ask Gatt at its next council meeting on March 4 to appoint a special panel to examine whether the accord complied with Gatt rules.

This follows the Community's unsuccessful attempt last month to seek an amicable solution to its objections. "It's the Japanese side of the deal we are concerned about," the official said.

He added that among the objections the EEC planned to bring before the panel, was that the accord's text was kept secret and that it could discriminate against EEC semiconductor companies trying to penetrate the Japanese market.

The US-Japanese chip pact was in effect designed to set minimum prices for semiconductors. It followed US complaints that Japan was selling semiconductors at prices that were far too low.

Two-thirds of semiconductors imported into the EEC comes from Japan. "Consequently, the agreement will have considerable repercussions on prices" in Europe, the Commission official said.

The US-Japanese agreement has already caused friction between the signatories which have acused one another of violating the accord. US and Japanese officials are to meet next month to try to settle their differences.

## Indian shiprepair venture

BY STEVEN BUTLER IN SINGAPORE

KEPPEL Corporation, the Singapore government-controlled shipbuilding and repair group plans to set up a shiprepair complex in Madras with Chokhani International, a New Delhi trading and investment company.

The joint venture, which is subject to approval by the Indian Government, would involve towing Keppel's 40,000 dwt floating dock from Singapore across the Andaman Sea and the Bay of Bengal, and includes plans to build a second floating dock.

The joint venture evidently aims to serve the dual purposes of reducing excess ship repair capacity in Singapore while expanding Keppel's international operations. Keppel would provide technical assistance, training and worldwide marketing services.

Keppel is withholding details of the financial arrangements and the structure of the new company until Indian government approval is received.

# GROWTH THROUGH STRENGTH.
# MANAGEMENT BY PRINCIPLES.
# SUCCESS THROUGH SERVICE.

One of the world's most respected financial institutions, Glenfed, Inc., is a major U.S.-based diversified financial services corporation. Founded in 1934, Glenfed's US$18,000,000,000 in assets makes it one of the five largest savings and loans in the U.S. Why and how has Glenfed emerged as an industry leader? Consider the views of Glenfed's management team; a team representing three generations of leadership, and providing a perspective of the past, an understanding of the present and a vision of the future.

## Raymond D. Edwards
## Chairman of the Board

*Ray Edwards joined Glendale Federal following military service in World War II. He served as President of Glendale Federal, 1965–1972, and as Chief Executive Officer, 1968–1985. He was elected Chairman of the Board in 1972, and Chairman and Chief Executive Officer of Glenfed, Inc., in 1985.*

When I joined Glendale Federal in 1945, we had a single office, with 11 employees, and only US$10 million in assets. Today, there are nearly 200 offices, thousands of employees and nearly US$18 billion in assets.

How did we grow so far, so big, and so fast?

Because we believe in serving *the community* by providing *a place to save, a place to borrow*, and by helping our customers achieve a *better quality of life*.

We *believe* in fiscal prudence, the power of change, the values of experience and—above all else—in *people*.

We're conservative because we have 45,000 shareholders and over a million customers. They have entrusted us with their money, and it's our responsibility to be prudent, to treat their investment and savings with care.

It's a time of change. Change is constant, and dealing with change is what management is all about. You can't manage by assuming tomorrow is going to be like yesterday.

When I joined Glendale, we had just *two* products. Now we have dozens, and we add more every year. There's a need for *new solutions*—and that means *new products and services*.

*People* are our most important asset. People make the difference; in management, at every level.

When I talked to Joe Hoeft—he founded Glendale Federal with US$5,000 in the depths of the Great Depression—he told me, "If you're looking for a job, we don't have one. What we do have is opportunity."

Opportunity attracts good people. That's why we want our people to have an opportunity to contribute, to grow. We want Glenfed to be the best *people* business in the business.

We grow managers within the company. We hire top people from outside the company. And we've demonstrated the ability to blend talents from inside and outside the company.

*Our management team includes people of three different generations, different backgrounds. There's a tendency for us to look at each opportunity from a different perspective. But on one issue, we share a single point of view.*

There's only one way to become a leader, remain a leader. And that's by following the principles that made us a leader in the first place.

## Norman M. Coulson
## President

*After joining Glendale Federal in 1959, Norm Coulson served in positions of increasing responsibility. From 1982 to 1984, he was Senior Executive Vice President and General Manager of the California Division, and was elected President and Chief Operating Officer in 1984. In 1985, he became Vice Chairman and President of Glenfed—and President and Chief Executive Officer of Glendale Federal.*

It's accurate, I think, to describe Glenfed as *aggressive yet conservative*.

We're very interested in growth, but not for the sake of growth; only when *growth means progress*.

Sure, we've made major acquisitions—including the largest independent title insurance agency in the U.S. and the U.S. mortgage banking subsidiary of Merrill Lynch.

But our acquisitions all fit within our strategy: to become *a fully integrated company in financial and real estate services*. We don't intend to be all things to all people—but a highly-focused, real estate-based financial services company. That's what we do best; what we want to do better, year after year.

We're conservative, not simply in acquisitions, but in *operations*.

Our ratio of delinquent loans to total assets is less than half the industry average. And our ratio of equity to assets is among the highest in our industry.

In 1983, we made our first public offering of 21 million shares—one of the largest initial public offerings in U.S. history.

That offering was a total success—no small achievement. And our operating results since 1983 have confirmed the soundness of the investment.

Last year, we set a net income record—US$88.3 million, or US$4.11 per share.

Earnings in the first half of our current fiscal year increased again—in just six months, our net income has reached US$63.5 million. And, in the past quarter, we've increased our dividend for the third time in 18 months—it's tripled in that time, and now stands at 60¢ per share on an annualized basis.

Our strengths?

*First, a loan portfolio of distinctly, undeniably high quality.*

Our loan volume is the highest ever; a record US$4 billion in the past six months. Yet the quality of our assets remains excellent by any standard. Eighty percent of our loan portfolio is in owner-occupied single family homes, the safest, most secure loans possible in the U.S., a nation in which home ownership is every family's most important goal.

*Second, our retail presence in California and Florida.*

These two states lead the nation in growth. And we're in an enviable position to take advantage of that growth.

We have 109 branch offices in the 15 counties where 80% of all Californians live. And in Florida, we're the second largest savings and loan operation, with 67 offices in the 11 counties where 60% of all Floridians live.

*Third, our continued earnings growth.*

Growth must mean growth in *earnings—growth on the bottom line*. Since 1983, we've had record earnings every year. Our rate of earnings growth was 59% last year—and, in each of the past five years, the annual growth rate has exceeded 30%.

*Fourth, our strong capital base.*

To compete in the future, you must have capital strength. With a net worth of more than US$800 million—and a high net worth-to-assets ratio—we have the capital we need to be a leader.

Major strengths? Yes.

And those strengths are the key to our four major goals: *profitability, growth, diversification and expanded service to our customers.*

## Keith P. Russell, Jr.
## Chief Operating Officer

*At 40 years of age, Keith Russell is the youngest member of the Glenfed management team. A former economist, he spent nine years with Security Pacific Corporation (where he rose to Senior Vice President) before joining Glendale Federal in 1983 as Executive Vice President and General Manager—Subsidiary Corporations. A year later, he was elected Senior Executive Vice President of Glendale Federal, and in 1985, became Chief Operating Officer of Glendale Federal and Glenfed.*

The achievements of Glenfed have been absolutely *spectacular*. And that may be an understatement.

But there's not an ounce of smugness in this organization.

Ray Edwards and Norm Coulson believe what I believe: the past is prologue. If we understand our niche, serve our customers better, and stick to the basics we understand, there's no limit to the future.

Our goals are high—but *achievable*.

We want to consistently maintain return on equity and keep it in the 15-20% range.

We want to control operating expenses—even more tightly in the future than in the past. We have stringent expense controls in place—and *they're working*.

We *must* maintain the high quality of our loan portfolio. Loan originations are sure to grow, and every loan must merit approval.

We will be even more aggressive on the retail side. We have more products, more market potential and higher sales targets. To reach those targets, we've become more market-oriented, more market-focused—and by making *customer service* priority number one.

In the financial marketplace, most "products" are essentially the same. *Customer service* is the difference. And *service* sets us apart.

Our branches are one-stop financial retail centers. We're marketing and cross-selling every product and service. We're developing new financial products and services for new needs. And we'll market all our products and services more aggressively, more intelligently.

Today, all financial institutions are affected by the economy, tax laws, and consumer moods. But the major factor is the ongoing deregulation of our industry.

Today, the walls between various segments are tumbling down, the distinctions between one segment and another are blurring—and we're competing with international banks, giant insurance companies, major retailers, huge brokerage firms, and dozens of other new players.

But we've been competing successfully against major California banks for more than fifty years—and head-to-head against Citicorp in Florida and California for most of this decade.

Deregulation is an opportunity to *compete*.

And Glenfed will seize that opportunity—through *management by principle, growth through strength, and success based on customer service.*

# GLENFED, INC.

Glenfed, Inc., is a U.S. public company, listed on the New York Stock Exchange. The company's principal operating subsidiary is Glendale Federal Savings & Loan, an organization with 176 branches in two of the fastest-growing states in the U.S., California and Florida. Other subsidiaries include Glenfed Brokerage Services, Inc., Glenfed Capital Corporation, Glenfed Development, Glenfed Financial Corporation, Glenfed Insurance Services, Glenfed Mortgage Corporation, Glenfed Properties, Inc., Glenfed Realty Investments, American Title Company, August Financial Corporation, North American Title Company, and Realty World of Southern California. For more information or a copy of our 1986 Annual Report, write or call Mr. Jerry Hanan, Hanan Associates AG, Stockerstr. 38, 8002 Zurich, Switzerland; 411-201-4090. Or, if you prefer, Mr. Steven A. Tragash, Executive Vice President & Director, Marketing/Corporate Relations, Glenfed, Inc., 700 North Brand Boulevard, Glendale, CA 91203 USA; (818) 500-2760.

# Drive to break even at Today newspaper

By Raymond Snoddy

THE TODAY newspaper yesterday launched a £3m promotional campaign in a renewed effort to lift circulation towards break-even.

The colour tabloid set up by Mr Eddie Shah is nearing its first anniversary with circulation stable at about 295,000. This is a long way short of the 450,000-500,000 needed to generate a positive cash flow.

A television advertising campaign, based on a fast-moving compendium of images from world news stories, will emphasise the editorial character of the paper. This is in marked contrast to previous campaigns which concentrated on games such as Scoop and the fact that the paper was in colour. "If you can't promote a newspaper on its editorial character and make gains in circulation, then of course you don't have much of a future," Mr Nicholas Morrell, Today's managing director, conceded yesterday.

The new advertising campaign by Yellowhammer, an advertising agency with a reputation for youth-oriented campaigns, is aimed in both style and content at young readers.

The young and "independent-minded" readers are being wooed by a new political line at the paper unveiled last week – a call for the electorate to use tactical voting to create an anti-Thatcher coalition after the next general election.

Today is holding talks with the Today Football League to see how the newspaper can improve the promotional impact of its sponsorship of the league.

London press war, Page 7

# Wall Street firm faces action on fraud in metals

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

LEGAL action is to be started against Donaldson Lufkin and Jenrette, a Wall Street securities firm, following a High Court ruling last week that its UK subsidiary, ACLI Metals (London), was involved in a fraud against a Swiss metal trader.

The court yesterday awarded Metall und Rohstoff, of Zug, part of the Associated Metals and Minerals Corporation, damages and interest totalling £50.48m against ACLI Metals (London) – AML.

Mr Justice Hobhouse described AML as "a shell company" whose assets had been sold. Mr Mark Waller, QC, for Metall, said that AML appeared to have a credit problem and Metall wished to start proceedings as soon as possible, either in the US or the High Court, against AML's New York parent, ACLI International, and ultimate parent, DLJ.

Last week the court ruled that AML had wrongfully repudiated its contracts with Metall. The judge said AML – at the time a ring-dealing member of the London Metal Exchange – had had "guilty knowledge" of a fraud – of which top executives in ACLI International had also been aware. The fraud, involving accounts with AML, had been perpetrated on Metall by the then head of its aluminium department, Mr Rainer Glaser.

Yesterday the judge granted Metall its legal costs on an indemnity basis: a form of order more favourable to Metall than the standard order granted to a winning party. He said that the litigation had been caused by the fraud of AML, which had made a dishonest allegation of fraud against Metall and its parent and produced false evidence.

He said that justice would best be served if AML were to be compulsorily wound up by the court. He refused AML a stay of execution of his order pending a possible appeal, on Metall's undertaking to keep in the UK any money it recovered under the judgment until any appeal had been decided.

# Credit ratings lowered

BY DAVID LASCELLES, BANKING EDITOR

IBCA, the London-based bank credit rating company, has lowered its credit rating on major UK accepting houses because it believes they would no longer be rescued by the Bank of England if they got into trouble.

Re-rating reflects the changes that have occurred in the City of London as a result of the Big Bang last year and the intensification of competition between City institutions, IBCA says.

The four houses re-rated by IBCA are Hill Samuel, Kleinwort Benson, Morgan Grenfell and S. G. Warburg. Their so-called "legal rating" which reflects the level of official protection enjoyed by a bank has been cut from 2 to 4. At this level, a rescue is considered by IBCA to be likely, but no longer certain.

# Jobless to 'stay near 3m over five years'

By Ralph Atkins

UNEMPLOYMENT is unlikely to fall much below 3m in the next five years, Lloyds Bank says in its latest forecast for the British economy.

The bank says that growth will peak at 3 per cent in 1987 – higher than many other industrialised countries – but then fall to below 2 per cent in 1989 and 1990. Any decrease in unemployment will be mainly due to special measures such as the Youth Training Scheme.

"These, together with more rapid growth, will reduce recorded unemployment to below the politically significant 3m level in 1987. After that, employment will rise more slowly, and unemployment is likely to remain flat," the bank says.

The bank's forecast, for the period 1987-1991, assumes the return of the present Tory Government, or a coalition Government, after the general election and that sterling will join the European Monetary System within a year.

It predicts that a weaker pound and rising world oil and other commodity prices will mean the rate of inflation will rise from 3.6 per cent in 1986 to 4.4 per cent in 1987 and 6.5 per cent in 1990.

Rising inflation will reduce the growth of consumer spending, the fastest growing component of aggregate demand in 1986, the report says. The resulting slowdown in growth will be exacerbated by a worsening trade position. A current account deficit of about £2bn this year and £5bn by 1991 is forecast.

*Lloyds Bank UK economic outlook 1987-1991. Published by Lloyds Bank Economics Department, 71 Lombard Street, London EC3P 3BS.*

# Labour will raise taxes 'only on those earning over £30,000'

BY JOHN HUNT

A LABOUR government would increase taxes only on people who earned more than £30,000 a year, according to Mr Neil Kinnock, the Labour leader. Only 5 per cent of taxpayers would be above that figure, he said on Television South.

"The other 95 per cent are people who have been bearing the highest tax burden in British history under Mrs Thatcher. She's the biggest taxing Prime Minister in history," he claimed.

Mr Kinnock said the only circumstances in which this 95 per cent could be affected by Labour's tax increases would be if Mr Nigel Lawson, the Chancellor of the Exchequer, "cynically" gave away £3bn in the forthcoming budget by "making massive cuts in health, social services, and housing."

"This country has certain bills of civilisation to pay for. Trying to get jobs for our youngsters, building up the health service, seeing that old people are properly cared for, and nothing is for nothing," Mr Kinnock said.

His comments followed claims by Mr Roy Hattersley, Labour's economic spokesman, that the "massive" tax cuts his party feared would be in the budget would dominate the next general election.

Mr Hattersley said the £3bn amounted to almost the cost of Labour's anti-poverty programme and half that of its national renewal programme.

"The country has to decide which it prefers," he told the annual meeting of the Labour Solidarity Campaign, a group of moderates within the party.

Meanwhile, the electioneering atmosphere was heightened by the publication of a Conservative Research Department pamphlet attacking Mr Kinnock as lacking the qualities necessary to become Prime Minister.

That will be a central theme in Conservative strategy leading up to the general election.

The sparring between the two main parties comes as the latest Mori public opinion poll in the Sunday Times put Conservatives three points ahead of Labour. The figures were: Conservatives 39 per cent, Labour 36 per cent and the Social Democratic Party/Liberal Alliance 23 per cent.

Mr Hattersley said Mr Lawson's admission that "massive sums" were available for the budget changed the political argument.

He said: "It means that the Tories can no longer ask where the money is to come from to pay for the Labour Party's national renewal programme."

Mr Hattersley maintained that tax cuts were the least effective way of creating jobs and improving education and the health services. Tax cuts would only make the balance of trade worse.

# Price index system updated

BY RALPH ATKINS

THE RETAIL Prices Index (RPI), used to measure the rate of inflation, will have a new base year from this month. It will also use new classifications that better reflect how prices of different goods and services are changing.

The inflation figure for February, to be announced in March, will use RPI-100 in January 1987 as a starting point. Previously January 1974 has been used a the base date.

The changes in the classification of goods and services which the Government has announced are designed to make the index easier to use.

A number of existing broad categories will be subsumed, partly or wholly, into new categories for personal, household and leisure goods or services that should give a clearer picture of how prices are changing for households.

The Department of Employment, which calculates the figures, hopes to widen the coverage of the index in 1988 to include the price of holidays, some kinds of insurance, financial services and new cars.

A new index of the price of consumer durables, which insurance companies could use to index-link household contents insurance, will also be introduced.

The changes were recommended last year by the RPI Advisory Committee, which meets about every five years.

The department says that the changes will not alter inflation figures significantly and has said it will publish retrospective figures to allow long-run comparisons.

The RPI index is based on the Family Expenditure Surveys, each of which is used to weight price changes on more than 600 goods and services in 180 towns in the UK. The weights used are changed each year according to spending patterns.

# UK NEWS

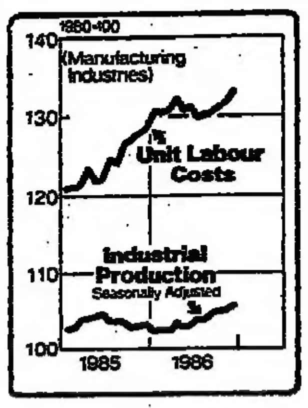
## Industry output advances to five-year peak

BY JANET BUSH

MANUFACTURING output continued its steady recovery in response to buoyant domestic demand and the opportunities afforded by the decline in sterling in December to end last year at its highest level since February 1980.

According to figures released yesterday by the Government's Central Statistical Office (CSO), output rose by 1 per cent in the final quarter of last year to stand nearly 2 per cent above the fourth quarter 1985.

Manufacturing output has been rising fairly consistently since the early months of last year. CSO statisticians estimated that output was now growing at an annual rate of around 3 per cent. However, they also pointed out that production is still about 4 per cent below the last peak in the first half of 1979, illustrating the severity of the recession in the early 1980s.




Within manufacturing, output of metals industries surged by nearly 8 per cent between the third and fourth quarters, and there was a leap of more than 6 per cent in motor vehicle and parts production.

In December, manufacturing output rose by a provisional 0.4 per cent after rising 0.5 per cent in November. There was, however, a 0.6 per cent fall in total industrial production in December, after being almost unchanged in November.

Yesterday's figures showed that output in the production industries, which cover the energy sector as well as manufacturing, had fallen by around 1 per cent in the fourth quarter compared with the previous quarter but was 1 per cent above the level recorded in the final quarter of 1985.

The CSO said that output of the production industries was growing at a slower rate than manufacturing because of the depressed energy sector which includes gas and electricity supply, coal production and oil and gas extraction.

There was a 5.5 per cent decrease in the energy sector between the third and fourth quarters. Much of this drop can be traced to a sharp fall in oil and gas extraction during the final three months of the year because or production problems associated with an oil pipeline leak. However, unseasonally mild weather during the same period also led to a drop in electricity and gas supply.

● Severe weather in January badly hit retail sales which dropped by 2.6 per cent in the month, according to provisional figures released yesterday by the Department of Trade and Industry.

Officials said that in the three months from November to January the volume of sales rose by 1 per cent compared with the previous three months and were 6 per cent up on the same period a year earlier.

January's sharp fall follows a 1.1 per cent drop in December compared with November's very buoyant level of sales. The rate of growth has slowed considerably. According to the department's figures, sales rose by 2 per cent in the three months to October last year, compared with the previous three-month period.

The figures confirm the picture presented by last week's confederation of British Industry/Financial Times survey of distributive trades which showed that sales had been disappointing. However, most distributors were optimistic about the outlook for February and expected a healthy recovery.

SHEFFIELD LEADER DOUBTS PARTY'S ABILITY TO BEAT THATCHER

## Labour gloom over poll chances

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

IN a potentially damaging assessment of Labour's electoral chances, Mr David Blunkett, the leader of Sheffield City Council and a member of the party's national executive committee, has openly cast doubts on its ability to beat Mrs Margaret Thatcher, the Prime Minister, at the next general election.

Mr Blunkett, in an interview published today, acknowledges Mrs Thatcher's success in promoting Tory ideals and concedes that the Conservatives could win. A past critic of elements of Labour policy, he adds:

"If I had to put my last £5 on the election, out of evangelical faith, I would put it on Labour, but my heads tells me I might end up starving."

His comments will almost certainly create considerable embarrassment among Labour's leaders, who met yesterday to discuss the party's pre-election strategy in the face of evidence that it has not yet made the break-through in popular support needed to win an overall parliamentary majority.

Mr Blunkett, who is likely to become MP for Sheffield Brightside after the next election, says in an interview in Woman's Own magazine that, had someone suggested in 1979 that Mrs Thatcher could serve three terms as Prime Minister, the idea would have been dismissed as impossible.

Now, however, it was not inconceivable that she would win again. With over three million unemployed, he adds, Labour "should be trampling the Tories out of sight, but they are not."

In pledging his total loyalty to Mr Neil Kinnock, the Labour leader, Mr Blunkett says he remains disturbed at the infighting within Labour's ranks.

"The Labour Party talks about solidarity, but there's far more solidarity in the Tory Party. We do all our bloodletting in public; they do theirs behind closed doors and present a united front."

After yesterday's strategy meeting, held at Transport House and attended by Labour's shadow Cabinet and the national executive committee, Mr Bryan Gould, the party's campaign co-ordinator, emphasised that the opinion polls – which continue to give Labour an average 37–38 per cent support, showed the party was in a situation from which it could win.

But although Mr Gould stressed an overall majority was regarded as an achievable goal, he accepted Labour was not arguing it was in a position where it could be guaranteed victory.

He said that an outright win was not being considered as a remote possibility but as something within the party's grasp and claimed that the planned campaigns, such as the drive to take 1m jobs off the unemployed register, would enable Labour to win the additional 2–3 per cent support needed to win at the polls.


David Blunkett: disturbed at infighting

## Maxwell raises the spectre of London newspaper war

BY RAYMOND SNODDY

MR ROBERT MAXWELL, publisher of the London Daily News, yesterday raised the spectre of a newspaper war in London as the first of 2m free copies of a preview issue of London Evening Standard's new rival were distributed.

The London Daily News publisher yesterday wrote to Mr H.C. "Bert" Hardy, chief executive of the London Standard, accusing him of "bare-faced cheek" in remarks made on The Money Programme on BBC television on Sunday night.

In the letter Mr Maxwell says of Mr Hardy: "You said: 'It is going to be a dirty battle. It is going to be a battle on the streets. He (meaning me, I presume) has one or two plans which he has announced which indicate the attitude he is going to take and he is going to be met force with force."

Mr Maxwell went on to accuse Mr Hardy of using "the language of a ... thug" and asked the Standard chief executive to dissociate himself from the apparent meaning of his words.

Mr Maxwell said it was completely false to suggest, as Mr Hardy had done on the programme, that he intended to knock the Standard off the streets.

"I believe there is room for two newspapers in London. It is the defects and inadequacies of the Evening Standard which make you fear the opposition," Mr Maxwell said

The London Daily News, Britain's first 24-hours-a-day newspaper, is due to be launched for February 24.

Mr Maxwell also complained in the letter of the "theft" of the Metro title planned for a section of the London Daily News.

On the programme Mr Hardy said it was a good title in which there was no copyright and that it had been used by the Standard as a spoiler and "in newspapers there are always spoilers."

Mr Maxwell said the action demonstrated the Standard's fear of its new rival.

Mr Hardy was not available for comment last night.

Mr Maxwell claimed that his new paper, which is aiming at the same up-market slice of the population as the Standard, would reach its target circulation of 500,000 to 600,000 within a year.

With optimistic forecasts the London Daily News would break even or be profitable within two years, or three years on more pessimistic assumptions.

## Marked slowdown in Third Market trading

BY ALICE RAWSTHORN

THE PACE of trading on the Third Market, the stock exchange's new forum for dealing in the shares of small companies, has slowed significantly since the market's launch three weeks ago.

Although the launch of the new market attracted a flurry of interest from individual investors and trading was buoyant in its first few days, market makers report that turnover in the shares of most of the companies quoted on the third tier has been negligible in the last week or so.

According to the stock exchange's statistics, the Third Market had turnover of £5.3m in its first week of dealings to January 30. The pace of trading slumped in the second week, however, producing turnover of just £2.6m.

The exchange is expected to announce a further fall when the turnover for the third week, to Friday, is unveiled today.

The Third Market Index, composed by the stockbrokers Credit Suisse Buckmaster & Moore, outperformed the FT-A All Share index last week, rising by 3.4 per cent to 95.1.

Yet this increase is almost wholly attributable to dealings in Eglinton Oil & Gas, the largest third-tier stock. The remaining eight stocks were static after a week of sparse trading.

The new market was expected to suffer from illiquidity. When the Unlisted Securities Market was introduced in 1980, it followed a similar pattern of an early flurry of interest followed by a lull in trading.

## Canon fires shot in top camera battle

BY ELAINE WILLIAMS

THE BATTLE for the top end of the UK photographic market is hotting up with the announcement that Canon has introduced an autofocus single lens reflex (SLR) 35 mm camera.

Autofocus cameras are the latest growth area in an otherwise stagnant market. Canon estimates that by 1990 some 70 per cent of the quality SLR cameras will be autofocus models.

Canon is late into this sector of the market as Minolta and Nikon both announced models in 1986. The EOS autofocus camera marks a departure for the Japanese company as it is not compatible with its previous ranges of SLR cameras, including its successful T90 camera introduced in January last year.

The company says that it decided to opt for an entirely new system to take advantage of advances in electronic microcircuitry. Unlike competitive systems and its existing autofocus range of 35 mm cameras, the link between the camera body – with its computer which works out the focus information – and the lens is entirely electronic.

This means that the transfer of data is rapid, making it the fastest autofocusing camera on the market, says Canon. Other models have a combination of mechanical and electrical connections.

Today the UK market for the top range SLR models, dominated by Japanese companies such as Canon, Minolta, Nikon Konishiroku and Chinon, stands at just over 1m units, with a world market of about 6m units.

## Guinness licensing deal revealed by Elders

By Lisa Wood

GUINNESS is being brewed and sold in Australia by Mr John Elliott's Elders IXL group.

Elders, in announcing its interim results yesterday, described the licensing deal with Guinness as a major event which in the second half of the year would improve the financial results. The stout will be brewed and marketed under licence for distribution throughout Australia by Elders IXL's Carlton Wines and Spirits division.

Guinness has been under licence in Australia since the early 1970s by Castlemaine Tooheys which was acquired by the Bond Corporation, Australia's major brewer, in 1985. Guinness said yesterday: "Part of the contract was that, if there was a change of ownership, we could re-examine the licence."

The acquisition of the licence last year by Elders was described by the Australian group as a "coup." Mr Andrew Cummins, Elders' group director of strategy, said: "Guinness is a terrific product. The economic benefits are relatively insignificant in Australia, but as a flagship brand it has a certain amount of prestige for the brewer who brews it."

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# Compromise emerges on application of US law

BY DAVID BUCHAN

BRITAIN is on the verge of reaching an accommodation with the US on the two countries' long-running clash of principle over whether US trade law can apply, extra-territorially, in the UK.

The emerging compromise will allow the British Government to insist that UK law will govern its purchase from the US of Awacs radar aircraft while conceding that individual UK companies may submit to certain US Government inspection checks if they consider it in their commercial interest to do so. Washington has long asserted that any export, or re-export, of US technology or knowhow requires its approval.

Mr George Younger, the Defence Secretary, said yesterday he saw "no sign" that the Government's soon-to-be-concluded agreements with the US Administration and with the Boeing aircraft company to buy six Awacs aircraft for around £800m would contain "unacceptable extra-territorial clauses."

The UK Government, Mr Younger stressed just before departing yesterday for a trip to Washington, "had always made clear UK law must apply in the UK." But he emphasised the distinction that individual British companies would be signing "normal commercial contracts" with Boeing, which has promised to buy more than £1bn worth of British hi-tech goods and services to "offset" the Awacs sales. He hinted these contracts could be constrained by US trade law.

At the same time, the Department of Trade and Industry said yesterday that the UK Government would later this week give its response to Washington's long-standing request that US Commerce Department inspectors be able to make spot checks in the UK of British companies importing American technology under a liberalised US licensing procedure.

It is understood that the British Government, having maintained the principle of the sovereignty of UK law as regards its own contracts, is now ready to bow to the desire of most UK companies to do a pragmatic deal on the extra-territoriality issue as regards commercial contracts.

Under the agreement to be announced later this week, the Government will allow US inspectors to enter Britain and make random checks of certain British companies. These will be companies importing US technology under a US "distribution" licence.

Such a licence will free the UK companies from having to get Washington's prior approval for each and every re-export of controlled US technology to third countries. In return, the UK companies would have to show a US inspector that they had adequate "internal control programmes."

In essence, the US will want to satisfy itself that a British company benefiting from the relaxed US licensing procedure has personnel willing and able to prevent abuses of distribution licences and to spot potential diverters of US technology to forbidden US export destinations such as the Soviet bloc and Libya.

Along with the rest of Europe and Japan, the UK first resisted, and then in large measure accepted, the Reagan Administration's drive to tighten multilateral export controls on sensitive sales to the communist world, via the Paris-based Co-ordinating Committee (Cocom). But the UK contends that reinforced Cocom controls, as part of UK national law, should be adequate to satisfy Washington's security concerns in contracts such as that covering the Awacs sale.

# Anchor fights margarine advance by trebling its butter promotion

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

ANCHOR FOODS, the New Zealand-owned dairy products company, is to treble its butter promotion spending this year in an attempt to slow the advance of margarine.

A £5m television advertising campaign will peak during the summer, at the height of the picnic sandwich season.

A further £1m will be split between consumer tastings and a charity promotion intended to raise £100,000 for the World Wildlife Fund's campaigns to protect endangered species such as the humpback whale.

The danger to the British butter market was highlighted yesterday as Anchor reported a further 16 per cent drop in sales last year.

According to a recent survey by St Ivel, manufacturer of Gold, a competing low-fat spread, butter's volume share of the yellow fats market has fallen 34 per cent to 28.9 per cent since 1980. Standard types of margarine have slipped 17 per cent to 39.7 per cent, and sales of so-called "health" brands have risen 328 per cent to take a 26.3 per cent share.

The butter market, worth £325m a year, is the mainstay of Anchor's business in the UK. The company, owned by New Zealand farmers, has recently attempted to broaden its range away from conventional dairy products but has found little success.

Faced with shrinking European Community import quotas on butter, mounting EEC surpluses and market distortions caused by the Brussels Commission's erratic disposal schemes, the company is striving to hold and improve Anchor's position as the leading butter brand.

The £6m promotion, billed as the biggest yet seen in the butter business, compares with the £20m margarine manufacturers spent during 1986.

According to St Ivel, more than 60 per cent of this went to promote health brands such as its own Gold, Kraft's Vitalite and labels such as Flora and Outline which feature high polyunsaturated fat content.

St Ivel also claims that by 1990 health spreads will take about 45 per cent of the yellow fats market and butter will be down below 20 per cent.

# Sinclair will launch £199.50 portable personal computer

BY ALAN CANE

SIR CLIVE SINCLAIR today signals his return to the personal computer business with the announcement of a low-cost, portable machine intended for use by business people and professionals.

The new computer is being shown for the first time at this year's Which Computer? show which opens today in the National Exhibition Centre, Birmingham.

Just under a year ago, Sir Clive, the pioneer of home computing in the UK, sold his trade name, intellectual property rights, patents and computer stocks to Mr Alan Sugar's Amstrad, in a deal which freed his financially troubled company, Sinclair Research, from debt.

The new portable computer, a slim, plastics-cased machine weighing under two pounds and called the Z88 is designed and marketed by Cambridge Computers, a company Sir Clive established last year to develop his ideas in personal computers.

The machine will be manufactured by Thorn EMI. Full production will not begin until April when it will be manufactured at the rate of 10,000 a month.

Initial distribution will be by mail order, a conventional Sinclair method for launching a new product. He said yesterday he expected retailers to take stocks of the machine after the first few months of mail order sales.

Sir Clive said yesterday that the hardware for the new machine was completely finished. There was some way to go, however, in completing the software, but he was sure it would be finished on schedule and in time for the April debut.

The Z88 will cost £199.50 plus VAT. It features an 80-column by eight-line liquid crystal display, which uses a comparatively recent technology called "supertwist," said to improve the visibility of the image.

Sir Clive had intended to use his flat-screen television technology for the display but could not stretch it to a width of more than 64 characters.

The keyboard is made of a rubber-like material but feels substantially more like a real keyboard than the infamous rubber buttons on Sir Clive's most popular computer, the Spectrum.

Inside the machine, Sir Clive has managed to reduce to four the number of important silicon chips – a microprocessor, read and write and read only memory and a gate array chip manufactured by NEC of Japan which contains all the accessory circuitry.

The machine is not directly compatible with the IBM PC, the standard business personal computer, but it is possible to transfer data from an IBM PC to the Z88 and vice-versa. The Sinclair has built-in word processing and spreadsheet software.

# Hewlett-Packard in profit

BY DAVID THOMAS

THE UK subsidiary of Hewlett-Packard, the US electronics and computer group, returned to profitability last year following a cost-cutting exercise.

Hewlett-Packard UK, Hewlett-Packard's largest overseas subsidiary after West Germany, reported pre-tax profits of £12.97m on sales of £356.8m in the year to the end of October 1986. In the previous year, it had losses of £3.14m on sales of £353.61m.

About £243m of Hewlett-Packard UK's turnover last year came from sales in the UK, with the rest from exports of Hewlett-Packard products made in the UK, mainly computer peripherals and telecommunications transmission equipment.

Hewlett-Packard UK's cost-cutting programme last year included reducing wages and freezing recruitment, except of research and development staff.

Mr David Baldwin, Hewlett-Packard UK managing director, said he expected the company's UK staff of about 3,500 to increase slowly over the next few years, as reductions in manufacturing workers would be offset by increases in professional staff.

● Hewlett-Packard and Racal are to research how to provide a secure messaging system over cellular radio. The project is part of the government-backed Alvey programme on information technology research.

# Decline in tractors yields dealers bitter harvest

BY NICK GARNETT

MASSEY-FERGUSON'S recent decision to introduce short-time working at its big agricultural tractor plant at Coventry in the West Midlands and to inform the workforce that it cannot afford a wage increase this year reflects a steep downturn in UK tractor sales.

Ford New Holland and Case IH, the other large producers of tractors in the UK, have suffered the same pressures caused by sliding demand in Britain and worldwide.

Sales in the UK of agricultural tractors slumped by almost a quarter last year to fewer than 19,000, the lowest number since registrations began 20 years ago.

The repercussions of manufacturing overcapacity have not been felt solely by the manufacturers. Efforts by producers to hold or increase market share has caused a vicious price war during the past few years, and dealers have been forced to share the costs of supporting that.

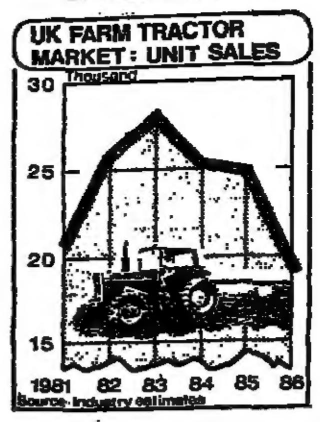
Discounts of 25 per cent off the list price of tractors are common and in some areas have been more than 40 per cent. In one freak case, a new tractor which had actually been manufactured two years before its sale was sold last year with a 62 per cent discount.

All production companies have been forced into this cycle. However, Case IH, formed two years ago following the purchase by JI Case of International Harvester's farm machinery interests, is usually pointed to by dealers and manufacturers as the most aggressive discounter.

"Some of their discounting has been beyond commonsense," says Mr Declan Hayden, sales support manager for Massey, which is part of the Varity Corporation of Canada and took a 20 per cent share of the UK market last year, second to Ford New Holland's 24.4 per cent.

"There have been deals where they have beaten us by several thousands of pounds on a tractor."

Some parts of the industry argue that Case, which has its main production site at Doncaster, in the north of England, has been determined at all costs to hold the market share that the once separate businesses of Case and IH held in the UK.




Case, which has achieved that by securing 18.5 per cent of the market – slightly down on 1985 – offered interest-free loans for purchasing tractors in some areas, although this practice came to an end in March last year.

Drake and Fletcher, a dealership for John Deere tractors in Kent, in south-east England, is typical of many distributors when it points to Case as being the most aggressive on pricing in its sales and service area.

Mr Jeremy Lamb, agricultural sales director for Case, denies that the company has been buying market share by "giving away" more money than anyone else in the business.

He says, though, that it is Case's long-term intention "to sell as many tractors as we can." Discounting was not necessarily a "negative form" of doing that.

Dealers who run the 1,000 outlets in the UK selling and servicing tractors have been operating on 2 or 3 per cent margins on sales of tractors, the typical list prices of which range from £15,000 to £30,000 for a high specification four-wheel-drive unit.

Many dealers have depended on the sale of other agricultural equipment such as balers, ploughs and drills where discounting is not as rife and margins larger.

Dealers have also benefited from a buoyant second-hand market in tractors. Denmark, the Netherlands, and to some extent West Germany have proved to be expanding markets for late-model, four-wheel-drive tractors in good condition.

Ireland remains the main export market for cheaper second-hand tractors, but a significant number of UK tractors are now being shipped to Thailand.

Although there has been some rationalisation in dealerships with outlets sold by one distributor and purchased by another, Mr Bill Barrell, director general of the British Agricultural and Garden Machinery Association, says the total number of dealers and outlets has remained the same.

"Our members are entrenching and tightening their belts because they know there is a shrinking market."

Despite last year's slump in demand there are some signs that the most extravagant forms of discounting might be coming to an end, at least temporarily.

Although the UK is Europe's second-largest producer of agricultural tractors after Italy, Ford, Massey and Case import from their European plants some of their tractor ranges and some components for tractors made in the UK.

Recent movements in exchange rates have made these imported components and complete tractors more expensive. As a result there is less flexibility for discounting built into producers' list prices. This has also affected John Deere which imports all its tractors and had 13.3 per cent of the market last year.

Massey, which introduced towards the end of 1986 the new French-made 3000 series and the UK-made 300 series tractors, announced to farmers at the same time that these tractors would not be offered with as much discount as farmers have normally expected.

Massey dealers say discounting on these new tractors has been restrained by Massey to between 12 and 15 per cent.

Mr Hayden says Massey has done this to try to introduce some price stability in the market although he said other tractor producers had so far failed to follow suit. Case says there will probably be less discounting this year than last.

Mr Lamb at Case said the industry's overwhelming problem was uncertainty. "I do not believe the farming picture is as dark as is often made out. But farmers do not know what is happening next week, let alone next year."

## US TYRE INDUSTRY

# Mercer changes gear at Goodyear

BY JAMES BUCHAN IN NEW YORK

THEY SAY the American nightmare is to break down in a bad neighbourhood. Certainly, Mr Robert Mercer, chairman of Goodyear, should have kept out of Wall Street, the crummiest neighbourhood in all New York. He is battered, broke and furious with the cops. The only thing left on his car *is the tyres.*

This month, the Goodyear Tire & Rubber Company will report its fourth-quarter figures. These will show the bruises left on the world's largest tyremaker by a corporate assault from Sir James Goldsmith, the Anglo-French financier, in November.

Mr Mercer, 62, survived Sir James' $49 a share or $3.5bn bid, partly with the aid of special anti-takeover measures rushed through the legislature of the State of Ohio, where Goodyear and the leading US tyre manufacturers are based. But the price has been steep.

Last month, Mr Mercer was noisily applauded by workers during a captain's visit to Goodyear's most modern and successful radial tyre plant at Lawton, *Oklahoma. Yet amid the glad*handing, the speeches by mayors and governors and congressmen and the prayers for the prosperity of Goodyear, Mr Mercer looked a preoccupied man.

In order to buy Sir James out, Goodyear last month completed a tender offer for 40m shares at $50 a share. Mr Mercer says the buy-back will leave a profit of about $93m for "the English knight in shining junk bonds" and his associates: Sir Gordon White, chairman of the US arm of Hanson Trust, Merrill Lynch and Mr Kerry Packer, the Australian entrepreneur.

To finance the stock buy-back, and to pay $37m towards Sir James' expenses, Goodyear is borrowing about $2.6bn at variable rates. Debt will vastly exceed equity after write-offs in the fourth quarter and interest costs will be double last year's until 1990 when the debt must be repaid.

Research and capital spending have been cut drastically, two marginal tyre plants have been closed and the domestic workforce will be cut by about a 20th. Above all, Mr Mercer has been forced to reverse his long-term strategy of diversifying out of the mature and competitive tyre business.

His disastrous investment in the oil and gas industry, which held back Goodyear's share price for four years, must be sold. Though he bristles at the suggestion, Mr Mercer is carrying out a policy laid down by Sir James in trenchant testimony before a Washington sub-committee hearing in Nov*ember: "to concentrate on the* core business and not try to escape from it."

Already, Goodyear has disposed of about $1bn in assets.

Sir James Goldsmith (left) whose $3.5bn bid for Goodyear was thwarted by special anti-takeover measures and Robert Mercer (right), now forced to reverse his policy of diversification.

These comprise the Motor Wheel division, a five-star resort and other properties near Phoenix, Arizona, and the important aerospace subsidiary, which Goodyear launched with its first balloons and airships before the Great War.

Goodyear officials were cock-a-hoop at extracting $640m in cash for a business which earned $53m in its year to March 1986. The buyer was Loral, a fast-growing defence *electronics group, which has* been trying to increase its weight with the Pentagon, and was outbid by Lockheed and Honeywell for two billion-dollar acquisitions last year.

Wall Street is much less confident about the $2bn-odd that Mr Mercer believes he can get for Goodyear's oil and gas interests. Mr Mercer, who joined Goodyear in 1947, bought Celeron of Louisiana in February 1983, when oil was trading at the dizzy price of $29 a barrel.

While oil prices have fallen, Goodyear has committed well over $2bn in shares and cash to an industry which has lost it more than $200m. This does not include interest payments rolled up into a highly ambitious project to build a 1,700-mile pipeline from California to the Texas refineries.

*Ironically, while both Wall* Street and Sir James ridiculed the energy investments during the four long years that Goodyear's share price drifted against the market, analysts have become more optimistic as oil prices have shown a glimmering of life again, and the pipeline approaches its 1988 opening.

Mr Mercer says the pipeline will offer "competitive transport rates," but its future depends on a revival of oil activity off California. Mr Robert Reitzes, an analyst at Mabon, Nugent in New York, believes the pipeline, production *and undeveloped acreage can* raise about $1.4bn.

With these assets on the block and the corporate raiders very much lying low this this year in the middle of the Wall Street insider trading scandal, Goodyear is probably safe for the moment. The powerful stock market rally this year has at least pushed up Goodyear's price, to close last week at $53¾, and this should choke off the "seven or eight" lawsuits charging Goodyear with giving Sir James unfair advantage in paying him $52.50 a share, including expenses.

The immense burden of debt makes Goodyear less attractive for takeover, but Mr Mercer is still looking over his shoulder. He is bitterly critical of Washington's laissez-faire attitude to bids. "Nobody is safe under the present system," he says.

A major obstacle facing Goodyear concerns the future of its $8bn tyres and chemical business in a mature market, where the only growth can come from tiny gains in market share. Although Goodyear tyres are respected as the best in the world, tyres are mainly sold on price, and the company already controls about 32 per cent of new sales in the US and something of a domestic monopoly in high-performance tyres.

Cost reductions will be harder with research spending concentrated on the very short term, and capital expenditure falling from $1.5bn to the level of "depreciation of $350-400m a year." This means that Goodyear will be replacing its tyre plants and machinery as they *wear down, but not upgrading* them, or taking account of inflation. Investment in Third World countries will probably be the first to suffer.

None-the-less, the Lawton plant, which is non-unionised, and a unionised radial plant at Tyler in Texas, are regarded as the best in the world, after investment of about $300m apiece. Mr Mercer says that a Lawton tyre can beat any comparable tyre on cost, "and I mean the Koreans."

The two tyre plants closed will save about $58m a year while the United Rubber Workers union, which has rallied round the devil it knows, has accepted wage cuts at both Tyler and an old bias-ply plant at Gadsden, Alabama. "Sir *James has allowed us to do* what we could not have done," said a senior manager involved with operations.

Certainly, the US tyre dealers think that Goodyear means business. They are anxious that Goodyear, which is the price-setter in the US, will discount tyres and set off a price war that will wipe-out already tiny dealing margins. "For the record," says Mr Mercer, "we will be something like a wounded bear protecting her cubs."

# APPOINTMENTS

## Joining Rank board

Dr D. V. Atterton and Mr A. W. P. Stenham have joined the board of THE RANK ORGANISATION as non-executive directors. Dr Atterton recently retired as chairman of Foseco Minsep. He is a non-executive director of Marks and Spencer, Barclays Bank, British Coal and other companies. Mr Stenham recently retired as financial director of Unilever. He is currently a managing director of Bankers Trust Company of New York and executive chairman of its business in the UK, Europe, the Middle East and Africa, as well as being a non-executive director of other companies.

★

Mr Brian Warrington has relinquished his post as chairman of THOMAS WARRINGTON AND SONS, but remains a director. Dr Graeme Jackson, formerly chief executive, becomes chairman and chief executive. Mr Eric Emery has joined the board, following the acquisition of Emery (Halesowen).

★

THE BRITISH RAIL PROPERTY BOARD has elected two non-executive board members: Mr Robert Einion Holland, chairman of Pearl Assurance, and Mr Ian Northen, president of the British Council of Shopping Centres.

★

Mr R. Wilson is joining the board of ROBERT FLEMING INVESTMENT MANAGEMENT as an executive director from March 3. He was formerly investment controller with Unilever.

★

OCCIDENTAL PETROLEUM has appointed Mr Neil D. J. Campbell as vice president, exploration with responsibility for the North Sea exploration activities. He joined Occidental in 1969 and has held several posts, including chief geologist in Libya from 1978 to 1982 and resident manager of Oxy Madagascar from 1982 to 1986. Mr Campbell replaces Mr Joe McKniff who has transferred to Occidental's operations in Indonesia.

★

GOLD AND BASE METAL MINES has appointed Mr Richard Archibald Good as a non-executive director. He is executive chairman of Amalgamated Financial Investments and a director of a number of investment trusts in the Throgmorton Trust Group.

★

Mr John Swift has been appointed a director of BROOKMOUNT ESTATES, a wholly-owned subsidiary of Brookmount. He has been a principal advisor to Brookmount on structural and civil engineering matters for a number of years.

★

ERNST & WHINNEY has appointed Mr Anthony Shepherd as a partner. He heads a new subsidiary, Ernst & Whinney Life and Pensions, which provides life insurance and pensions consultancy services.

★

At CUMMINS Mr Rick Hoyle has become marketing director—UK automotive and construction. He joins Cummins UK from Cummins' Canadian division where he was vice president.

★

LAUGHTON & SONS has restructured its management. Under the group managing director, Mr Michael Laughton, the group is divided into two centres with the appointment of two managing directors: Mr Roy Weake, Stratton Men's/Ladies' Exclusive Accessories; Mr Jack Moss, Lady Jayne and Twinco. Further strengthening of the management team has taken place with the appointment of Mr Nick Evered as export director. Mr Richard Lyon, sales director, Haircare/Twinco, is appointed to his post with responsibility for UK sales through the retail market.

★

Mr Kenneth Atkinson, executive vice-president of BARCLAYS BANK head office in North America, has been appointed senior local director of the bank's Manchester local head office.

★

Mr Anthony D. R. Holland, chairman of Lincroft Kilgour Group, has been appointed to the board of PRIEST MARIANS HOLDINGS. The appointment follows the acquisition by Priest Marians Holdings of Lincroft Kilgour Group last year. At the same time Mr David H. R. Holland, finance director of Lincroft Kilgour assumes the position of secretary at Priest Marians Holdings, succeeding Mr Daniel Auerbach who remains on the board of PMH as non-executive director.

★

Mr Rupert Hunt will become division manager Europe, for the Schrader Bellows division of PARKER HANNIFIN on June 1. He was technical director of IMI Norgren Martonair following the acquisition of Martonair by IMI.

★

FERRO CORPORATION has made two senior appointments including a new managing director at its UK operation, Ferro (Great Britain). This position has been held by Mr Terry Mackriel since 1983, who has been promoted to managing director of Ferro (Holland) BV at Rotterdam. Mr Mackriel has also been elected to the board of Ferro's subsidiaries in Germany, France and Portugal. He will also be remaining on the board of Ferro (Great Britain) and Ferro Normandy Plastics. Mr Trevor Mayer, previously general manager of the ceramics and colours group in Burslem, Stoke-on-Trent, has now taken over at the Wombourne headquarters.

★

Mr John D. Perrins has been appointed managing director of FREDERICK W. EVANS and Mr George Cornelius has been appointed deputy chairman. Mr Charles Patch has been appointed managing director of Ever Ready Tools & Plastics having previously held the position of general manager.

★

Mr Umberto Vasta has been appointed general manager of BANCO DI SICILIA in London. He takes over from Mr Ettore Salemi who will be posted to New York as regional manager.

★

THE BRUNNING GROUP has appointed Mr David Linnell as non-executive chairman. He was the founder of Linfood Holdings and chairman of Spar. More recently he served as president of the Eggs Authority. He remains chairman of Neighbourhood Stores.

## Marketing man for Wimpey

Mr John W. Holmes has been appointed group marketing director at GEORGE WIMPEY for its international, engineering and offshore contracting operations.

★

Dr Douglas Swinden has been appointed director of marketing of EASTERN ELECTRICITY. He was previously utilisation and technology transfer manager with East Midlands Electricity Board, spending one year on secondment as group sales manager.

★

ARMOUR TRUST's electronic component distribution subsidiary Thorp Electronic Components has appointed Mr George Evans and Mr Chris Osborn as directors. Mr Evans was formerly sales director and Mr Osborn was product director of Jermyn Distribution.

★

Mr Jon Makin is the new sales director of CALLOG. Mr Makin formerly national sales manager, joined the board of Callog on January 29.

★

Mr Gavin Whichello has been appointed managing director of ANSA SOFTWARE (UK), the newly created UK subsidiary of the California microcomputer database software company. Mr Whichello is a majority shareholder of London-based Training International.

★

The directors of NEWTON INVESTMENT MANAGEMENT formerly Reed Stenhouse Investment Services, are as follows: Mr Stewart Newton, Mr Art Boanas, Mr Raymond Henley, Mr Colin Harris, Mr David Patterson, Mr David Baxter, Mr Barrie Green and Mr Stephen Cooke.

★

HERITAGE HOUSEWARES has appointed Mr Eduardo Bello Van Zeller as non-executive director.

# MANAGEMENT: Small Business

Graham Mackereth of Pyranha Mouldings: no longer marketing against the current

## The chicken and the egg of marketing

*Charles Batchelor explains the use of consultants under a DTI scheme*

FOR MOST of the 1970s, BAWO Services, a small West Midlands manufacturer of circular saw blades, was able to sell all it could produce to local companies. But when the recession started to bite in 1980 these customers started to fold at an alarming rate.

Malcolm Bate, managing director and co-founder of BAWO, was forced to think fast. A keen sportsman, he devised an exercise machine which saved space by allowing gymnasts to carry out 12 different exercises on it rather than the one or two usual on other types of machine.

Trials with a local gym produced an enthusiastic response and BAWO started making the machine in small numbers. It was then that the real problems started.

"We didn't know whether to go for the home market or for gyms," he confesses. "We didn't know how to market the equipment. We'd always had a *ready market on our doorstep* for the saws so we'd never had to."

BAWO's problem was one that has dogged British companies both large and small for much of the post-war period — their failure to market a good idea. *For the small company,* short of many of the management skills larger concerns take for granted, the situation is particularly acute.

Since most small companies start with a single idea or a single product the temptation for them to become obsessed with their brainchild, at the expense of the customers they must sell it to, is particularly strong.

A recently completed survey of 60 small electrical engineering companies in Yorkshire confirms this danger. Most of these firms had no marketing plan and only 16 had a written business plan of any kind.

"The entrepreneurs were often very high-powered engineers, scientists and technicians who wanted to use their *skills, says the survey's author,* a lecturer at Sheffield University. They had little understanding of their markets or how to price their products. "They were getting sales but many of them did not realise their dependence on just a few customers. They didn't plan for the future."

The marketing deficiencies of British industry as a whole have prompted periodic bouts of official concern. This has now resulted in attempts to bolster the marketing skills of the smaller company.

A marketing support scheme for small- and medium-sized businesses was launched last September by the Department of Trade and the Institute of Marketing. It provides subsidised advice from a professional marketing consultant for up to 15 days.

But with only £2.5m allocated to the scheme for its first year and more than 1,200 applications already in, many companies which need urgent marketing advice *now* are faced with a wait of a year or more.

*In the light of these delays* David Trippier, small firms minister at the Department of Employment, may be risking a backlash with his decision to make marketing the theme of *this* year's annual "enterprise week," to be held in June.

Marketing has also caught the attention of other organisations. CoSIRA (the Council for Small Industries in Rural Areas) has launched a £50,000 marketing training scheme and plans to double this spend next year. The Highlands and Islands Development Board meanwhile is helping the Scottish salmon farming industry improve its marketing.

So what is marketing? Despite the interest it has aroused for many small businessmen it remains a vague and ill-defined term.

*"Many people think it just* means advertising or selling," says Janet Tellick, a senior marketing consultant with accountants Arthur Young. "A lot of companies give their chief salesman the title of marketing director."

But marketing goes far deeper than this. In essence it is finding out what your customers want and then setting out to provide it in the most profitable way — making what you can *sell rather than selling what you* have made.

It starts with researching your market to build up a knowledge of customers and competitors. The next move is to design products to suit this market and to price them at the highest level the market will bear. Only then does marketing take on its more familiar forms of advertising and promotion, selling and distribution.

Professional advice on the subject is not cheap. With a marketing director costing around £25,000 a year in salary plus car and consultants charging £300 to £450 a day for advice it is little wonder few smaller firms can afford it.

"Small businessmen have difficulty understanding why they should pay for something which is largely commonsense," *acknowledges Malcolm Thomas,* director general of the Marketing Society. "But it is disciplined commonsense and it is the discipline that is the problem."

"When people say they can't afford marketing," says Arthur Young's Tellick, "I tell them they won't succeed without it." And basic marketing need not cost a lot of money. Most firms have a lot of market information in their own files and the *shelves of business bookshops* groan with manuals and text books.

But the experience of those who get on the DTI marketing programme shows the advantage of tailor-made advice.

● Burlington Slate Company had never made use of formal marketing techniques in the 300 years it had been supplying roofing slate from its Cumbrian quarries. But when Burlington hit on the idea of using quarry waste for a new, and still secret, building product, managing director David Wallace wanted more facts on which to base his £500,000 investment plans.

The consultant produced a 40-page report assessing the likely size of the market and the price the product could be sold for. The reactions of architects, builders' merchants and housebuilders were sought and the competition gauged.

"He didn't say anything diametrically opposed to what we were thinking but it gave us tremendous reassurance," says Wallace. "Without this advice we would have probably put in a tiny plant to try out the market in an amateur way."

● Pyranha Mouldings a Runcorn-based canoe-manufacturer was also prompted by change to take its technology marketing seriously. A move to polyethylene from glass fibre cut production time per canoe from 12 to two hours.

The tougher polyethylene reduced the need for bulky packaging and opened up export markets for the first time. Suddenly Pyranha found it could make more than it could sell.

"We had grown beyond a cottage industry," says Graham Mackereth, the managing director. "We were going round in circles. We needed redirection."

A major problem was to devise a model range to cover the professional and amateur markets and to set prices. Pyranha found it was trying to be all things to all men — it ended up by compromising the quality *image of its dearer canoes and* confusing buyers of its cheaper products.

The consultant's answer was to split the range into two clear segments and promote them under different names.

● Bradford Workwear had to shed two-thirds of its turnover and workforce when cheap textile imports hit its traditional markets — hospitals, councils and the Defence Ministry. The *response of managing director* William Finley was to develop a range of medium- to up-market country golfing and leisure wear in a new waterproof cotton fabric.

"I made the mistake of thinking they would sell themselves," concedes Finley. "But I ran into a big marketing problem. I didn't know who I should be selling to or at what price. I was staggered to have done all that work and then see it flop."

The consultant's advice was for Mackereth to target large department stores and mail order firms and to raise his prices to put the range in the *upper market* bracket. He also suggested that the company changed its name to William Finley and adopt this title also for the brand. Finley says that at first he thought the idea of the name change was a joke but he now sees the sense.

Being given the advice was the easy part. These three companies and BAWO now have to put the consultants' recommendations into practice and will not know the results for a year or so.

But the sense of relief all four companies express is palpable. They would probably agree with Tellick: "The problem is *managing growth.* Most companies have more opportunities than they know what to do with. If they don't organise themselves they run after everything and arrive too late."

Secondment

## Building in more flexibility

BY CHARLES BATCHELOR

WHEN Peter Warwick was asked by his boss if he would be interested in being seconded to a community organisation his first thought was "Are they try*ing to get rid of me?"*

Warwick was 35 at the time and for the previous six years had been head of the research department at Legal & General Assurance. When he had overcome his initial misgivings he agreed to a two-year assignment with Action Resource Centre (ARC), a non-profit making organisation which channels business skills into the community.

At ARC he was given the job of promoting the organisation and identifying new areas of activity. "In Legal & General's research department I found I was learning more and more about less and less," he says. "My time at ARC allowed me to develop personally."

On his return from ARC, Warwick went back into his old department but took on a marketing job at a higher salary. Legal & General has five or six people out on secondment at any time—either people in mid-career like Warwick who are looking for a change of direction or young high flyers who need broader experience.

Warwick acknowledges his response to his company's idea of secondment is probably typical of that of many managers.

*The idea of detaching skilled* executives for periods of between three months and two years to help community groups has been around for a good 15 years and more than 500 are currently on loan. They make a major contribution to small business through local enterprise agencies, which make use of more than 300 secondees.

But towards the end of the 1970s a stigma became attached to *the idea of secondment* because it came to be seen as a means of cushioning redundant or soon-to-be retired executives from the shock of leaving employment.

Slowly, however, the picture is changing as companies and community organisations take a more professional approach. The Action Resource Centre hopes to speed up this process with the establishment of a four person Secondment Programmes Unit. The unit is headed by Andy Powell, formerly a project manager with computer giant IBM, and will have two permanent staff as well as a secondee, initially from the Department of the Environment.

It has attracted £128,000 worth of funding from some 20 companies headed by IBM UK, British Rail, retail group Marks and Spencer, National Westminster Bank, insurance concern Prudential Corporation and Shell UK.

The aim is to improve the quality of secondment by organising workshops for companies and training courses for the secondees; to become a national centre of expertise in this field; and to develop new forms of secondment.

One idea that is being considered is to make secondment more flexible. Some companies are unwilling to detach key managers for two-year periods so ARC is looking at 10 to 100 hour secondment assignments for special projects. This might make secondment attractive to a second tier of smaller companies at present not involved.

But shorter assignments might dilute the main benefit *that companies seek in assigning* their staff—their exposure to a world outside the big company culture.

"We are prepared to look at shorter term secondments but our people would not learn so much," warns Henry Durowse, manager of Shell UK's enterprise unit. "You have to have time to get under the skin of the organisation you are working with."

Shell has nine people currently on secondment and sees it as providing a similar experience to that which used to be gained by sending young managers to small overseas outposts.

"Years ago we *would* send people around the world to get the corners rubbed off but that is not so easy now," says Durowse. "Secondment is another way of making them take their own decisions in an organisation with a restricted budget and without big company back-up

There is a growing awareness among companies that secondment can be an important part of management *training as well* as allowing them to meet what they see as their social responsibility.

ARC's Andy Powell looks forward to the day when young managers clamour to be seconded. "We want to reach the point where young high flyers are asking why they have not been chosen."

*Action Resource Centre, CAP House, 9/12 Long Lane, London ECIA 9HD.*

## In brief . . .

A GUIDE has been published to help overcome the red-tape involved in cross-border trade between Northern Ireland and the Irish Republic. Red tape acts as a *major deterrent to trade* between the two parts of Ireland, according to Co-operation Ireland, a non-political non-denominational organisation.

The Guide to Cross Border Trade gives details of customers' regulations and documentary procedures. Price £4.50 from Co-operation Ireland, 63 Kennington Road, London SE1 7PZ.

●

A SHORTAGE of small managed workshops is once again inhibiting the start-up of businesses, according to a report published by the Association of British Chambers of Commerce.

*This makes particularly* timely an international seminar on managed workshops to be held on February 21 and 22 in Liverpool. The speakers will include British and Dutch experts and will involve visits to local workshop units. Details from Small Business Support Unit, 617a Prescot Road, Liverpool 13.

●

THE Economist Pocket Entrepreneur is a handy guide aimed at what author Colin Barrow calls "the bewildered army of spouses, former big business colleagues and would-be advisers" who trail in the wake of the new breed *of businessman. The jargon* used by entrepreneurs is now taking on a distinctive flavour and has developed a range of original terms which may confuse the outsider. From Asset Stripping to Z-Score this book gives a brief, pithy description of many of the expressions used. Price £12.50 hardback, 205 pages. Basil Blackwell.

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FORD INTERNATIONAL FINANCE CORPORATION
Dated: February 17, 1987

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# FT LAW REPORTS

# No excuse for P and I club's delay

THE GAZ FOUNTAIN
Queen's Bench Division (Admiralty Court): Mr Justice Sheen: February 12 1987.

**THE COURT will not extend the time for commencement of a maritime collision action, though the delay since expiry of an agreed extension is only 16 days, if previous agreed extensions have given the plaintiff ample time to issue a writ and he can show no special circumstances justifying his failure to do so.**

Mr Justice Sheen so held when refusing an application by the plaintiff owners of Al Berry for extension of time in which to issue a writ in a collision claim and granting an application by the defendant owner of Gaz Fountain to strike out the writ on the ground that it was time-barred.

Section 8 of the Maritime Conventions Act 1911 provides: "No action shall be maintainable to enforce any claim . . . against a vessel . . . in respect of damage or loss to another vessel . . . unless proceedings are commenced within two years . . . Provided that any court . . . may . . . extend any such period . . . as it thinks fit . . ."

HIS LORDSHIP said that on January 2 1982 a collision occurred between the Kuwaiti ship, Al Berry, and the Panamanian ship, Gaz Fountain. At the time of the collision Al Berry was at anchor at Proti Island; Gaz Fountain was manoeuvring alongside when she struck her and caused damage.

Al Berry's owners sought $65,000 security for their claim from the United Kingdom Mutual Steam Ship Assurance (Bermuda) Ltd ("the UK Club"). Their ship was entered with the West of England Club. Negotiations for settlement of the claim were conducted between the two clubs.

In September 1983 West of England wrote to the UK Club requesting a year's extension of time in which to bring the claim, as repairs to Al Berry were not due to take place until 1984. The UK Club agreed to extend time as requested.

In October 1985 West of England asked for extension, which was granted, up to January 1986, four years after the collision. A further extension was granted up to June 30 1986.

By April 1986 West of England was not putting pressure to bear on the UK Club to settle. The only way in which pressure could have been brought to bear would have been to issue a writ.

It acknowledged that the owners of Al Berry were anxious that their claim should be met without undue delay, nevertheless it was reluctant to issue a writ. Instead it asked for further extension to December 30. By then five years had elapsed since the collision.

On January 14 1987 the plaintiff's solicitors issued a writ against the defendants, claiming damages for loss sustained as a result of the collision.

The plaintiffs moved to extend the period of limitation provided by section 8 of the Maritime Conventions Act 1911, to enable the action commenced by the writ to be maintained. The defendants moved to strike out the writ.

West of England's evidence was that it had made a note on the file to renew the extension beyond December 30 1986.

It was quite extraordinary that at a time when its clients were pressing it to obtain satisfaction of the claim, the club was concerned with the thought that it might ask for yet another extension rather than issue a writ, which was the only way to put pressure on the defendants. It appeared to have been obsessed with the idea of extending the time limit so that the parties could go on discussing the possibility of a settlement.

There was not a single word of explanation for the failure to issue a writ. By issuing a writ plaintiffs did not preclude the possibility of further negotiations. They merely strengthened their own hand in such negotiations. Al Berry was finally repaired and surveyed in October 1984. More than two years had elapsed since then.

Under section 8 of the act the court had the widest possible discretion to enlarge time for issue of a writ. The question was whether it had found a reason to extend it beyond the very long extensions already agreed between the parties, and thereby to deprive the defendants of the right of immunity conferred by the act.

The delay in issuing the writ was devoid of excuse. There were no grounds for extending the limitation period.

In *The Llandovery Castle [1920] P 125* Mr Justice Hill said that section 8 fixed a period of two years and the court's discretion to extend it "can only be used in favour of a plaintiff if there are special circumstances. . . ."

In *The Owenbawn (1973) 1 Lloyd's Rep 56* Mr Justice Brandon said that the situations in which it would be just to renew a writ were of three kinds: "First, where there has been an express agreement between the parties . . . second, where there has been an implied agreement . . . and third, where . . . there has been conduct by the defendant leading the plaintiff to suppose it would be all right to defer service. . . ."

It was not contended by Mr Reeder for the plaintiffs that there was any implied agreement to extend time beyond December 30 1986; nor did he submit there had been any conduct by the defendants which led the plaintiffs to suppose it would be all right to defer issuing a writ.

Mr Rainey summarised the principles which should be applied by the court when exercising its discretion whether to extend the limitation period:

1—When the period of limitation laid down by parliament had expired the defendant has his defence as an absolute right.

2—The court should not extend time unless the plaintiff could show special circumstances. Those would nearly always arise as a result of the defendants' conduct.

3—It was never an exceptional circumstance that because of the expiration of time the plaintiff would be deprived of his claim. That was the necessary consequence of the time limit.

4—It was never an exceptional circumstance that the defendant knew of the dispute or that the facts could be easily ascertained.

5—It was never an exceptional circumstance to show that the defendant would not be prejudiced by extension of time.

6—It was not an exceptional circumstance that failure to protect time by the issue of a writ was due to an oversight. That was the usual circumstance.

Those submissions were accepted as an accurate summary of the applicable principles. There were no grounds which justified extending the period of limitation.

*For the plaintiffs: John Reeder (Holman Fenwick & Willan)*

*For the defendants: Simon Rainey (Constant & Constant).*

**By Rachel Davies**
*Barrister*

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TECHNOLOGY

# ADP leapfrogs into the world of stock quote systems

**Alan Cane** reports on a US company with big ambitions in the financial data market

AUTOMATIC Data Processing (ADP), an aggressive, US-based computing services company, which had turnover of $1.3bn last year, is making a determined effort to become a world force in financial information systems.

Already well known in the business world for payroll processing and in the financial world for analytical services like ADP-Comtrend, it plans to become the leading stock quote vendor, overtaking Quotron in the US and the London Stock Exchange in the UK. It will offer stock prices, together with company, financial and international news and information from a range of major databases. The information will be available on its own dealer workstation network.

It has already made a good start in the US where it has an installed base of some 60,000 terminals compared with 80,000 for Quotron, its chief competitor.

Last month it announced that it had signed an agreement to develop a stock quote system for Merrill Lynch, the US securities house. All 600 Merrill Lynch branches in the US are expected to be converted to the ADP system over the next two years.

At present, Merrill is said to account for about 20,000 of Quotron's terminal base. Mr Richard Sherlund of the New York stockbroker Goldman Sachs notes: "This announcement is strategically significant and should enable ADP to leapfrog Quotron as the leading stock quote vendor."

ADP's contract with Merrill follows the liquidation of International Market Net (Imnet), a joint venture which Merrill and IBM set up to build a front office securities information system for Merrill's own use, and to market to other firms.

The project was abandoned, it is believed, because neither partner was confident of an adequate return on their investment.

In the UK, the position is quite different. The leading quote vendor is the London Stock Exchange itself and it is determined to maintain that position.

It distributes market information over its network of Topic viewdata terminals as well as in the form of computer readable data.

Its own dealer workstation network, Orbit, is being test marketed at a couple of London-based stockbroking firms. The principal features of Orbit owe much to a study undertaken jointly by the Stock Exchange, IBM and the stockbroker Shearson Lehman Amex last year.

Furthermore, Reuters, the UK-based financial information company, the chief strength of which to date has been in foreign exchange and money markets data, is expected to announce soon an advanced securities information service, Equities 2000.

ADP's strategy is based on three large data centres. Two are already in operation. One at Mount Laurel, New Jersey, caters for North America, the other at Farnborough, Hampshire, in the UK, serves European customers.

The site for a third, serving Asia and the Pacific rim, has yet to be chosen.

All three centres will take in data from a multitude of sources including the New York Stock Exchange, the American Stock Exchange, NASDAQ, the London Stock Exchange and the London International Financial Futures Exchange.

The centres will disseminate the information to networks of IBM personal computers which serve as dealer workstations.

In the US, the service is called FS Partner; it is this service which Merrill Lynch will be installing in all its offices.

In Europe, the service goes by the name of "Market Pulse." Information from the UK data centre is transmitted to a minicomputer on the customer's premises. At present the company is using an IBM Series/1 minicomputer but it is likely to change to a Stratus fault-tolerant machine in the near future. IBM also markets the Stratus machine as the System 88.

The dealer workstations—IBM personal computers—are connected together through a token ring local area network, IBM's preferred methods of connecting chains of workstations together.

The system looks, superficially, very similar to the Stock Exchange Orbit system or to systems offered by other vendors such as, for example, CCF, the stock processing bureau.

According to Mr Ralph Koehrer, managing director of ADP Financial Information, the difference is that the ADP system is digital in nature from end to end.

Every piece of information in the system can be handled separately and built into pages of the dealer's choice.

By comparison, according to Mr Koehrer, services based on page formats like Topic can be difficult to customise.

The ADP system is already in use at a number of sites in London including stockbrokers Alexanders Laing & Cruickshank, part of the Mercantile House group, where Mr Richard Morris, a director specialising in equities, agrees it is simple to build up screens of information of personal interest.

"We still find we have to use Market Pulse in tandem with Topic but it is very good. It is marginally quicker than Topic and it is essential if you want to stay in touch with a wide variety of shares. Using Topic in that way, it is easy to lose touch with some parts of the market."

ADP Financial Information itself is part owned by Mercantile House. It is a joint venture between the US company and Mercantile House Holdings.

It is ADP's second attempt at a joint venture in London to exploit the new securities markets. Two years ago, a plan to launch stock settlement services in conjunction with Centrefile, the National Westminster computer bureau, was abandoned.

Mercantile's chief interest in the joint venture seems to be its conviction, driven by its chairman Mr John Barkshire, that it has financial information of its own to sell. So far the two partners have spent about £4m on the enterprise. Fundamental Brokers and W. M. Marshalls, two Mercantile subsidiaries, are brokers with the kind of marketable financial information Mr Barkshire has in mind.

ADP Financial Information charges about £6,000 for each workstation and £250-£275 a month for information including London equity prices and Extel historical data. Mr Koehrer is taking a conservative view of the company's ambitious plans. He thinks it should have 1,000 workstations installed in London by the end of the year.

Mr Ralph Koehrer, managing director of ADP Financial Information: Every piece of information in the company's Market Pulse system can be handled separately and built into pages of the dealer's choice.

# Madeira meeting holds key to Europe's cellular radio future

BY DAVID THOMAS

EUROPEAN telecommunications experts are in the middle of a week-long meeting in Madeira, the conclusions of which will have a key bearing on the future of mobile communications, one of the fastest-growing segments of the telecommunications industry.

The experts are in Madeira to agree the first outlines of one of Europe's most imaginative projects ever in the field of communications: a pan-European digital cellular radio network.

By using such a system, a French salesman taking orders in Munich would be able to send copies of documents back to his head office instantly. An Italian lorry driver stuck in a traffic jam on the M25 would be able to phone his base to see where to go next.

But first the countries of Europe will have to agree on common standards for the new system, a task which Europeans find notoriously difficult.

The first generation analogue systems, set up in each country on the basis of incompatible standards, will be running out of capacity by the early 1990s. According to one estimate the French system will be saturated by 1991, followed by Britain in 1992 and West Germany in 1993.

Digital cellular will ease this capacity problem. Unlike analogue cellular, it allows a single radio signal to be shared by a number of subscribers, thereby greatly improving the radio spectrum's efficiency of use.

Mobile communications experts are in no doubt about the significance of the Madeira deliberations: "It will be very difficult to get a European standard if this meeting does not take decisions," argues Prof William Gosling, technical director at Plessey, the UK electronics company.

On the agenda at Madeira are the results of trials carried out last year in Paris by the European telecommunications authorities. These trials covered eight initial proposals for a pan-European digital system put forward by German, French, Scandinavian and Italian companies.

Six main criteria have been used in assessing the initial proposals:

- Which would allow the greatest efficiency of use of the radio spectrum?
- Which would offer the best voice quality?
- Which would be likely to result in the cheapest costs for infrastructure, such as base stations?
- Which would result in the cheapest equipment?
- Which would be more likely to sustain the spread of phones which are fully portable outside the car, since some people believe this market will boom in the 1990s?
- Which would be best at supporting new services, such as combined voice, data and video services?

The Paris tests have used this checklist to scrutinise the proposals in two critical areas: access for the digital system to the frequency channels; and voice coding.

All the attention has been on the first issue—the question of access—because that is where the main technological advances will be demanded. Of the eight proposals tested in Paris, six suggest a narrow band solution and two back a broad band route. The two differ in the number of subscribers to be accommodated on each radio signal, and in their cost, flexibility and complexity.

A group of UK companies (British Telecom, GEC-Marconi, Plessey and Racal), together with the UK Department of Trade and Industry, have been carrying out independent trials of the eight Paris options.

They concluded that narrow band scores over broad band against most of the criteria, albeit sometimes only marginally. But the key difference, the UK group reckons, is that narrow band has some chance of hitting the target launch date for pan-European of 1991, whereas broad band, a more complex system, could not be introduced until 1993 at the earliest.

Professor Gosling of Plessey elaborated on the significance of this at a seminar on mobile communications organised by IBC Technical Services in London earlier this month. US and Japanese equipment suppliers will have extra time to develop equipment for the digital cellular market in Europe if the launch date is postponed.

"The true significance of second generation digital cellular is that it gives Europe not only a technically superior solution to the mobile telephone problem, but also the opportunity to create a world-competitive supporting industrial structure," he said.

The people who have been conducting the Paris trials are confident that decisions will be reached in Madeira, probably by picking and choosing from the best elements of a number of the proposals. At their December summit, the EEC heads of state put their weight behind this drive for agreed standards for a pan-European digital network.

The Madeira meeting has to make the fundamental decision—narrow band or broad band—and since the broad band solution still has powerful backers, agreement is by no means assured.



# Much more to Nasa spin offs than Tang and Teflon

BY PETER MARSH

MENTION Tang or Teflon to Isaac Gillam and his eyes glaze over. Gillam, head of the commercialisation office at the US National Aeronautics and Space Administration, is tired of people discussing spin-offs from space technology by reference to these two products alone.

Tang is a drink based on a powdered substitute used by astronauts, while Teflon is a plastic coating developed to shield guided missiles from the frictional effects of the atmosphere. Both have received a lot of publicity, to an extent that Gillam believes they have overshadowed other useful by-products evolving from Nasa's $8bn annual budget.

The agency is stepping up its efforts to make industry aware of possible spin-offs from space technology. It plans in the next financial year, starting in October, to spend $18.3m on technology-transfer activities, mainly in the form of joint projects with companies. This figure has risen from $15.7m for 1986/87 and $10.8m in the previous 12 months.

Gillam can reel off a list of products and processes which incorporate technologies developed from space. Foster Grant, a maker of spectacles, has a licence on a special kind of glass originally devised for astronauts' visors. Keep-fit enthusiasts are running around in shoes made by Kangaroo, and which incorporate material devised for Moon boots, while doctors are examining patients with X-ray equipment made by Healthmate on the back of technology evolved from astronomy studies.

In another example, Composite Consultation Concepts, a company in Houston, has produced a device to combat hair loss in cancer patients suffering from the effects of drug treatment. The system, derived from Nasa's work on keeping the insides of space suits at a moderate temperature, cools the scalps of such people, so reducing the amount of drug absorbed by hair follicles and cutting hair loss.

This year, the agency is working with about 50 companies to incorporate ideas from extraterrestrial work into products and processes. Much of this work involves developments in computers, medical systems, transportation and new materials. Gillam says: "There is an increased desire by industry in getting spin-offs to occur." He thinks this is part of the generally heightened awareness among companies centred on using new technology to increase competitiveness.

The agency publishes a bimonthly newsletter detailing innovations evolving from the work of its 20,000 employees. Details of Nasa patents are available through computerised databases. The agency also has a team of officials at its major technical centres which is supposed to act as a bridge between Nasa engineers and outsiders interested in their ideas.

هكذا من الأصل



# THE ARTS

## The Tate Gallery/William Packer

# Tribute to wandering, honorary Englishman

The full retrospective exhibition of the work of Naum Gabo, which was initiated by the Dallas Museum of Art in the autumn of 1985 and has been on tour in North America and Europe ever since, is now on show at the Tate Gallery (until April 20), its final venue. Subtitled *Sixty Years of Constructivism*, it offers an admittedly clear and elegant account of a career that was both seminal in its influence and yet oddly limited in its range and production.

Gabo died in 1977 at the age of 87, an honorary and honoured Englishman, a naturalised American, educated in Germany before the First World War, and Russian by birth. He had returned to live and work in Russia in the years immediately after the Revolution, and then moved on to Berlin and Paris.

He came to London in the mid 1930s and remained in England throughout the Second World War. In 1946 he removed to Woodbury, Connecticut, which was to be his home for the rest of his life. He was, in short, the very type of the modern artist in the great early and middle periods of modernism, peripatetic and radical, moving easily through the generous freemasonry of the international avant-garde.

He had intended a career in medicine or natural science, and though he made intermittent essays in painting and drawing in the meantime, it was not to be until around 1915, in his own middle 20s (when he made his first constructions), that he committed himself to art. By then he was living in Christiana in Norway, where his elder brother, the artist Antoine Pevsner, had joined him. It was then that he took the name of Gabo to assert and preserve his independent creative identity.

There are one or two of those pre-War paintings and drawings to start with, at once fauve-like, theatrical and romantic, but in essence the show begins with the remarkable series of constructed heads and torsos, embarked upon in that short Norwegian exile. They clearly owe much to direct cubist example, but even so that influence lies more in the suggestion of what might be possible than in any image or formula to follow. They are quite original, strangely more straight-forward, regular and consistent in their representation than any thing of Picasso, for all that the form is penetrated so deeply, broken open and the surface fallen away.

What might have happened in his development had Gabo turned not to Russia but to Western Europe at that time is a matter for speculation. But Russia it was, and in art the Revolutionary Russia of Tatlin, Malevich and Lissitsky, of Suprematism and constructivism at the service of the state. The possibilities of abstraction from the formal base he had established, rather than anything of figuration, were evidently what seized him, with all their scope for the monumental and the architectural. The form is not modelled or described but constructed, put together for what it is. The mass is not established but implied, the space not occupied but articulated.

Where Picasso may have broken the form open to look inside upon an intuition, enough to intrigue him for a while and then move on, Gabo stayed on to investigate and analyse for ever more. He would work his elegant variations with increased sophistication and subtlety as he grew older, but the very latest of his stringed and turning monuments of the 1970s is latent in the architectural projects and maquettes of the 1920s, vigorous, a little crude perhaps, and inventive as they are.

The distinction is between substance and style. There is no doubt that Gabo was a consumate stylist in all he did, which accounts for his successful associations with architects and public authorities. He established a look for public sculpture which was both convincingly modern and reassuring, clever yet decorative. The materials are modern, technological, the forms amorphous and vaguely scientific, with their twisting, pierced planes and elegant complexities of turning and stringing: abstraction fit for the atomic age.

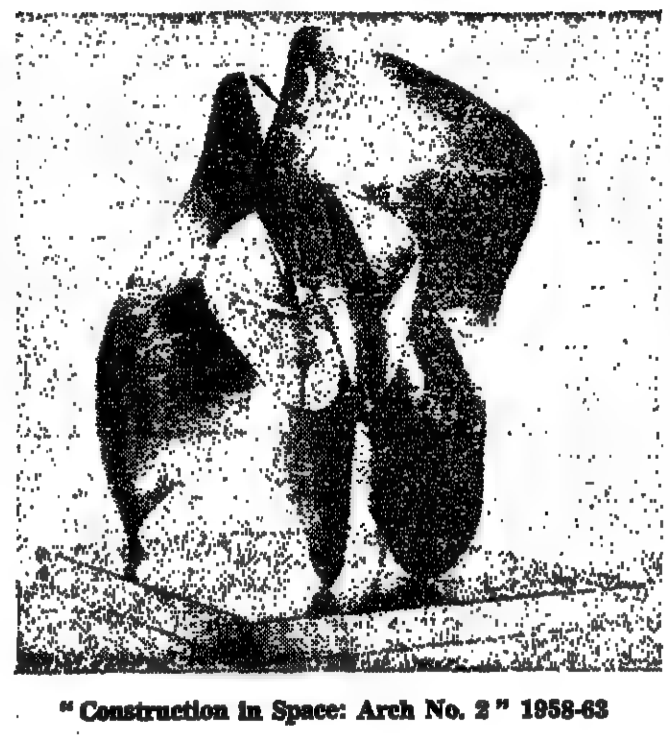
But as for the substance of originality, that was achieved and established early, even before the 1920s were out. The maquettes he made for monumental projects in the 1920s, two of them for an airport in particular, which lay long forgotten but reassembled after his death, are among the most beautiful and impressive things he did. Others pivot, balance and turn, throwing themselves gently up into the air, letting the light in and the eye through.

A small pendent exhibition of drawings and studies for sculpture by Gabo, dating from about 1915 to the 1960s but most of them from between the wars, occupies the upper galleries of Annely Juda Fine Art (11 Tottenham Mews, W1, until April 4).

"Kinetic Stone Carving" 1936-44

The galleries of Juda Rowan on the floors below are showing contemporary painting and drawing in the constructivist tradition (until February 28). On the first floor, Edwina Leapman is showing the latest examples of her delicate and refined minimalism. The insistent, freehand stripes remain as they always were, but yet the paintings have become freer and more ambiguous as their banded structure has grown ever more qualified by clouds and veils of paint, like shadows on the water. In tone and colour the paintings are now more various than they were, though no less discreet. The artist's pace is picking up.

The American painter, Al Held, occupies the ground floor with a suite of new drawings and one or two huge paintings. Impressive as they are, with their immaculate surfaces and vertiginous spaces and curious free-floating abstract architecture, the paintings seem more limited and constrained than the drawings, which are more open in their imagery as they are more free in their handling.



"Construction in Space: Arch No. 2" 1958-63

## Anna Karenina/Glasgow Citizens Theatre

**Martin Hoyle**

"There's another woman in me. I'm afraid of her. I'm not her any more." So says Anna Karenina in Robert David MacDonald's version of Tolstoy's great novel for Glasgow's Citizens' Theatre. As director, Philip Prowse goes several better. Anna consists of five women, since all the female principals get a crack at playing her, sometimes simultaneously. Each changes from the grey dress (the same design for all) of Lydia, Kitty, Dolly or whoever, into Anna's black to signal her turn, sometimes taking over in mid-scene, so that several Annas can be draped watchfully round the stage at the same moment.

The intended flexibility of this device confirms my suspicion that the visually oriented theatre for which the "Citz" has become famous is basically anti-theatrical. No less than the company's eye-catching sets, these attempts at fluidity merely remind us that, logically speaking, the method's ultimate aim is cinema. As not infrequently with this company, I wish someone would give them a film camera (and, remembering Mr Prowse's semi-audible *Duchess of Malfi* at the National, a good sound recordist). And let them get on with it.

Not that Mr Prowse's set for this *Karenina* has (as so often) the sumptuousness of old-fashioned opera productions; the vast hall dominated by three cenotaph-like plinths with bas relief is restrained by the opulent standard of Citz design. Indeed, it combines with that other endemic Glasgow peril, inadequate acting, to produce three hours of deadly dullness.

The workers who tramp through this palatial interior give their tickets to a grumpy old man (Robert David MacDonald), who reflects that they would never have got past the porter's lodge in his father's day. This is post-Revolutionary Russia, a stately home is opened to the masses, and the ticket-collector ("Where did it all go to? How did it get like this?") is Sergei, Anna's "poor little boy," recollecting and piecing together his mother's love affair, shame and suicide.

Past and present mingle; in a visit to the theatre, a play about adultery turns into a scene between Anna and Vronsky; old Sergei participates in moments remembered from his childhood. Throughout the bumpy gear-changes resulting from very varying actresses embodying the heroine, throughout examples of sheer silliness.

The acting is patchy. Fidelis Morgan (Anna and Lydia) is strong—too strong in the corny comedy of the séance—and displays authority. Julia Blalock (Anna and Dolly) is attractive in a lower key. The coarse-grained Jill Spurrier (Anna and Betsy) is inexplicably given the heroine's great post-childbirth scene. As the wronged husband, Tristram Jellinek gives a sly imitation of Sir John Gielgud as Napoleon III. As the questing idealist Levin, Jonathan Phillips expresses intellectual curiosity by shouting: and the infant Sergei is risibly depicted by a hard-faced homunculus who looks not far off 30. Tim Woodward (Vronsky) brings a breath of fresh professional air to the Glasgow hothouse; but the evening's boredom is not even entertainingly relieved by its many ineptitudes.

## Gamblers/Tron, Glasgow

**Martin Hoyle**

By way of footlights, a semi-circle of oil-lamps casts a dim glow over the black-draped room. The dark hangings are slowly revealed as stylised curtains topped by rows of tail-coats and stove-pipe hats: a fitting background for the faintly manic chalk-faced figures with their verbal and physical flourishes, sinister as well as funny that enact the British première of Gogol's 100-minute black bagatelle.

Russian expert Chirtsopher Rathbone and playwright Chris Hannan have translated the sardonic anecdote. The card-sharps who, while pretending to dupe the innocent in fact fleece one another, have a faintly diabolic air, as if they had made an infernal pact similar to that of their country-woman, the Countess in Pushkin's *Queen of Spades*. Hubris, not dishonesty, is the cardinal sin according to this inverted morality. Boasting of one's ability to cheat brings retribution—not moral justice, but being cheated by even bigger sharks.

Only when the back curtains part to let a character through does the blinding glare of day penetrate the claustrophobic nightworld of Peter Ling's inn-room setting. When light grimly dawns, in all senses, on Craig Ferguson's preening biter bit ("I am quite clearly about to go mad," he declares and retires, corpse-like, to bed), the outside day is paradoxically black.

Hamish Glen directs with ferocious relish at a speed that whips the translation's jokes past quickly enough to escape pedantic nitpicking (why, for instance, when the Russian setting is kept, is one character known as U. Silly Farquhar?). The company includes some members of the Tron's recent successful pantomime besides Scots actors like Jimmy Chisholm, known further south. Forbes Masson's neat double (or triple) role exemplifies the cast's confident stand-up comic delivery and exuberant physical stylisation. A coup for an apparently increasingly Russian *Glasgow*.

## Music Projects/Almeida Theatre

**Andrew Clements**

The final recognition in Britain of Arvo Pärt as a distinctive and significant voice in contemporary music must be attributed largely to the efforts of the Almeida Festival, which last year offered a survey of his output that included many British premieres. As with any composer "discovered" relatively late in his career there is a process of familiarisation and discovery to be continued, and a number of works still to be heard in London. Sunday's concert of the Almeida by Music *Projects/London, conducted by* Richard Bernas, gave us two of them: *Fratres*, well established elsewhere and already available on disc, and *Festina Lente*, which Music Projects introduced last November.

Both pieces take a simple concept and weave from it music of transfiguring beauty. In *Fratres* the starting point is a melody, stated and restated over a cello pedal in ever richer and denser harmonies; each modal statement is announced by a rhythm pattered out on the belly of the double bass. At its most eloquent the harmonisation recalls Sibelius, suggesting a national kinship between the Estonian and the Finn across the Gulf of Finland. There is a second version of the score, which Music Projects also played, in which the melodic development is overlaid with a solo violin (Alexander Balanescu here) that decorates and doubles the line. It is equally ravishing.

The mechanism of *Festina Lente* is again melodic, though this time exclusively so: a long-limbed tune in the cello, together with its accompanying figures, are set beneath progressively diminished versions of the same material in the violas and violins, so that the violin version moves at four times the original speed.

The concert was the first in Music Projects' "New Images of Sound 87" series; further instalments follow in March at the Almeida and the City University. Performances did not seem quite up to the group's usual scrupulous standard: there were touches of cloudy intonation in both Pärt pieces, and a nervy edge to Ligeti's *Articulations*; John Adams' *Shaker Loops*, however, emerged unscathed, in all its anodyne emptiness.

## PLG quartets/Purcell Room

**Dominic Gill**

The Park Lane Group's String Quartet series this year goes as far towards making a modern string quartet series a stimulating and varied affair as one could reasonably hope — and possibly farther. The schema is an excellent one: six recitals played by six different ensembles, in which the six Bartok quartets and the six Haydn op. 20 quartets serve to frame new or recent works by eight living composers.

For the first recital of the series on Thursday night the resident Quartet was the Arditti, and their frame was Haydn's op. 20 no 4 and Bartok's no 1 — of which last they gave a tough, uncompromising account, clear and satisfying. The first of the recent works was Vic Hoyland's string quartet, commissioned by and first performed at the ICA's MusICA series two years ago; and here receiving only its second British performance.

The composer himself remarks on his quartet's "air of relentlessness and single-mindedness"—and it is indeed a peculiarly relentless work, investigating a fast-moving sequence of ideas with obsessively close focus, and sometimes with exceptional (almost Xenakis-like) ferocity. Much of the music (especially in the first two of the four sections) concerns gestures in four-fold rhythmic unison: quick, chunky slices of sound tossed, not contrapuntally from player to player, but directly and provocatively into the hall for the audience to catch.

The third section is a kind of slow movement, in which the four quartet voices divide decisively for the first time into a web of transparent, evocative night-music: vivid contrast. In the finale the intensity returns redoubled: a fiery, quicksilver essay, more an outburst than a summation. It's an impressive piece, coherent and powerfully written, and there is nothing throwaway about this finale as it stands—but it was interesting to read that Hoyland had originally planned (and may still provide) a fifth movement. Although I wouldn't presume to say exactly what, there was definitely a sense that something else was needed to draw the threads conclusively together—a subterranean Chaikovskian, Bartokian adagio perhaps?

The other modern quartet of the Arditti's programme was the first quartet of the Viennese composer Hans Gal—who emigrated to England, and thence to Edinburgh, in the 1930s, and subsequently became a well loved and much respected figure in the musical life of his adopted country. The first quartet dates from 1916, and influences in it are legion — Brahms, Strauss, early Schoenberg, Ravel. But they are well absorbed and integrated; the piece is most capably crafted. Whether the pervading air of Viennese whimsy appeals is largely a matter of taste.

## Melanie Armitstead/Wigmore Hall

**David Murray**

Miss Armitstead, an up-and-coming young soprano, made her London recital debut at the Wigmore Hall on Friday. She had invaluable support from her pianist Martin Isepp, and a surprisingly large audience who wanted to clap after every song. The voice is not quite "placed" yet, I think, but it promises to be sizeable; since Miss Armitstead is attractive, has plenty of stage presence and extrovert responses to theatrical songs, opera would seem to call loud and clear.

From university days she has plausible French and Russian, and those were the languages of her whole programme except the opening songs from Britten's *On this Island* — which she attacked with confidence, though her English diction was only so-so. Probably such florid music is enough of a challenge for her that the words take second place still. In romantic songs by Fauré and Rakhmaninov her sound intentions were cautiously rendered, for her various registers needed careful handling: even and clear near the top, under-supported a little further down (and unappealingly glassy in *forte*), full of interesting potential in the near-mezzo range.

She took the dramatic opportunities of Mussorgsky's *Nursery* cycle with relish, and got into proper communication at last. Prokofiev's Anna Akhmatova songs, a bold choice, were probed in detail, and Miss Armitstead's wistful Chaikovsky was more persuasive than her Rakhmaninov had been. One more degree of technical assurance would have made her Poulenc—two cabaret songs and the brilliant "Il vole" after Louise de Vilmorin—not only engaging but sparkling. When she has the full measure of her voice, the results may be impressive.

## Sallinen's Fifth/Festival Hall

**Max Loppert**

Aulis Sallinen's opera *The King Goes Forth to France* has its long-awaited Covent Garden opening in April; as an advance fanfare for that occasion, and as a salute to the leading Finnish composer of the day, the London Philharmonic gave on Sunday the British premiere of his Fifth Symphony, Op 57 (1984-85). It's a big five-movement work, more than 30 minutes' long and bearing the subtitle "Washington Mosaics" —because its first performance was in Washington DC under Rostropovich, and because Sallinen deems the use of material mosaic-like.

A subjective description of the work after Sunday's hearing might instead be that icy fragments of symphonic material have been chipped off to clink and tinkle about in Sallinen's structural cocktail shaker. Across the five movements (outermost ones named "Washington Mosaics I and II," with three *Intermezzos* separating them) the fragments are repeated and reworked; they bear physical characteristics powerfully evocative of the Northern symphonic genre, but their abrupt repetition and discontinuous hint at either an undisclosed programme or a personal brand of modifying irony.

Familiar Northern-symphony harmonic procedures — notably the long pedals over which much of the clinking and tinkling takes place — are in evidence, yet they fail to lead where *models suggest they ought to*. In the movement that functions as the work's still centre, the second Intermezzo, the various harmonic components are piled up into chords suspended slowly and quietly across bleak open spaces. The finale releases all the energy stoked up by previous irresolutions and discontinuities, but after contrasts of fast military moods and more moderately lyrical ones it appears to wind down into silence without achieving their conclusive, clinching integration.

Sallinen's music usually "makes an impact." His command of gesture, timing, and sound-spacing is masterly, and so too his teasing way of framing "conservative" statements which are then undermined by their examination in context. An immediate second hearing of the work was needed to determine whether this is one of his more subtly disconcerting works—whether, indeed, it "adds up" to more than was apparent first time around. The performance, under Okko Kamu, Sallinen's compatriot and most persuasive interpreter, started uncertainly, then *gained in colour and conviction* as it went along. The notion of pairing Sallinen with Gounod's inimitably plump, succulent St Cecilia Mass (well sung and unashamedly played) must count as one of the oddest in concert history.



# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

February 13–19

## Opera and Ballet

### PARIS

**Elektra** alternates with L'Elisir d'Amore in a Vienna Opera production full of light-hearted charm. Adina is sung by Madelyn Renee/Christine Barbaux, Nemorino by Luciano Pavarotti/Dano Raffanti, Belcore by Bern Weikl/Gino Quilico, Dulcamara by Gabriel Bacquier and Gianetta by Marie-Christine Porta. Paris Opéra (42665022)

### LONDON

**Royal Opera, Covent Garden:** the new production of Bellini's Norma, by John Copley, conducted by John Pritchard, has Margaret Price in one of the mightiest soprano roles in Italian opera. The rather faded, lacklustre Royal Opera Die Zauberflöte returns for yet another round of performances, this time with Robin Leggate, Angela Maria Blasi, Mikael Melbye, Robert Lloyd and Penelope Walmsley-Clark in its leading roles.

### WEST GERMANY

**Berlin,** Deutsche Oper: Die verkaufte Braut is revived with Lucy Peacock, Kaja Borris and Peter Seiffert. Otello, sung in Italian, stars Pilar Lorengar, Kaja Borris, Franko Bonisolli and George Fortune. Fidelio, in Jean Pierre-Ponnelle's production, was Deborah Polaski, Barbara Vogel and James King. Die Zauberflöte, conducted by Heinrich Hollreiser has fine interpretations by Elfie Hobarth, Carole Malone, Harald Stamm and Horst Laubenthal. Der Barbier von Sevilla rounds off the week.

**Hamburg,** Staatsoper: Zemlinsky's rarely played Eine Florentinische Tragödie/Der Geburtstag der Infantin has Inge Nielsen, Elisabeth Steiner, Kenneth Riegel and Victor von Braun in the main parts. Walter Haffeiner is repeating his much praised performance in the title role in Belsazar. La Bohème has a particularly strong cast with Fiamma Izzo d'Amico, Peter Dvorsky and J. Patrick Raferty. Also in the repertory: Die Zauberflöte.

**Frankfurt,** Opera: Die verkaufte Braut features Eliane Coelho, Michael Pabst, Adelbert Waller and Christoph Pregardien. There was much applause for Rut Berghaus' production of Das Rheingold with Sandra Walker, June Card, Cornelia Berger, Wolfgang Probst and Tom Fox. Der Rosenkavalier convinces thanks to Helena Doese, in the part of the Marschallin, besides Gail Gilmore, Barbara Bonney and Aage Haugland.

**Cologne,** Opera: Elektra – Helga Dernesch, Gwineth Jones, Nadine Secunde and Harald Stamm. Der Barbier von Sevilla is a well done repertore performance.

**Stuttgart,** Württembergisches Staatstheater: Julia Varady leads a strong cast in Otello. The week also features Cav and Pag and Jenufa.

### NETHERLANDS

**Amsterdam,** Muziektheater. The National Ballet with Before Nightfall (Christe/Martinu), Like Orpheus (Van Schayk/Stravinsky/Glück) and the world premiere of a ballet by Jan Linkens to music by Martinu (Wed, Thur). (255 455).

**Scheveningen,** Circus Theatre. The New York Harlem Opera Ensemble with the (musical version of Carmen (Wed, Thur). (558800).

**Breda,** Concordia. The Momix dance group on tour from America (Mon). (135700)

### ITALY

**Milan,** Teatro alla Scala: Don Chisciotte conducted by Michel Sasson: Choreography by Nureyev to music by Ludwig Minkus; Carlos Kleiber conducts Franco Zeffirelli's successful 1976 version of Otello, with Placido Domingo in the title role, Mirella Freni as Desdemona and Renato Bruson as Iago. (80.91.26)

**Rome,** Teatro dell'Opera: The Fenice Theatre's production of L'Italiana in Algeri (last produced here in 1948) conducted by Alessandro Siciliani. Martha Senn sings Isabella (replacing Lucia Valentini Terrani, who is ill), and Ruggero Raimondi, Mustafa. Also in the cast are Domenicoi Trimarchi, Elvira Spica and Michel Cousins. (46.17.55).

**Rome,** Teatro Brancaccio (via Merulana): The Theatro dell'Opera ballet company in The River, to music by Duke Ellington, and Echoes, to Stavros Xarhakos's music. Choreography by Alvin Alley and William Carter (46.17.55).

**Bologna,** Teatro Communale: Cabriccio – a musical conversation in one act by Clemens Krauss and Richard Strauss (Italian translation by Fedele D'Amico), directed by Luca Ronconi and conducted by Ralf Weikert. (222.999)

**Trieste,** Teatro Communale Giuseppe Verdi: A new production of Le Villi, by Puccini, directed by Filippo Crivelli and conducted by Tiziano Severini. The cast includes Cristina Rubin, Franco Giovini and Franco Farina. Also, the Turin Teatro Regio's production of Gianni Schicchi. (631948).

**Turin,** Teatro Regio: A new production of Aida by Gianfranco de Bosio, with scenery by Aldo de Lorenzo and costumes by Zaira de Vincentiis. Nello Santi conducts and the cast includes Maria Chiara, Veriano Luchetti and Fiorenza Cossotto. (548.000).

### NEW YORK

**Metropolitan Opera** (Opera House): The week features the first seasonal performance of Carmen conducted by James Levine in Sir Peter Hall's production with Agnes Baltsa, Gabriela Benackova and Samuel Ramey. It joins the repertory of Manon conducted by Manuel Rosenthal in Jean-Pierre Ponelle's production with Catherine Malfitano, Neil Shicoff, David Holloway and Spiro Malas; and La Clemenza di Tito conducted by James Levine in Jean-Pierre Ponnelle's production with Carol Vaness, Gail Robinson, Tatiana Troyanos, David Rendall and Julien Robbins. Lincoln Center (3626000)

**New York City Ballet** (New York State Theater): The company's winter season ends with mixed programmes. Lincoln Center (8705570)

### CHICAGO

**Ohio Ballet** (Goodman): Works by the company's artistic director Heinz Poll, Pilobolus Dance Theatre and Laura Dean highlight the company's local premiere. Ends Feb. 21. (4433800)

## Saleroom/Antony Thorncroft

# Market at Maastricht

For too long the salerooms have made the running in the great antique boom. They have publicised the "record" prices they obtain for everything from a Turner to a Teddy bear—even though the highest price paid for a picture has certainly taken place discreetly between a dealer and a private collector—and undoubtedly have come to be seen as the power house of the business. Like it or not the dealers have become the main buyers—and sellers—in the salerooms.

Now the dealers are fighting back through the vehicle of the antique fair — not the church hall or pub yard Saturday morning clear out, but the meticulously organised and promoted event which attracts leading international dealers. London has already played host this year to the watercolour fanatics and the silver and jewellery addicts. Now it is the turn of Maastricht, in that sleeve of the Netherlands which hangs down between Belgium and Germany, to hold the most important antiques fair of the year, to date anyway, from March 7-15.

In the eight days well over £30m worth of business will take place in the simulated luxury which seems to come naturally to European fair organisers. Prices will not be cheap, but it is always worth making an offer. Typical of the items on sale is a Hobbema landscape of a water mill, priced by Noortman at $1m.

*

The illustration on Saturday's saleroom page was wrongly captioned. The view was of Hereford Cathedral, captured by Thomas Girtin in the early 1790's.

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# The limits of target zones

IN THEORY, the right time to discuss fundamental reforms of the international monetary system would be when markets were calm, trade frictions minimal and balance of payments disequilibria few and far between. In such benign circumstances, politicians might be able to think disinterestedly about mechanisms for facilitating economic co-operation. The drawback, of course, is that at such times it is impossible to convince anybody that change is required. The result is that blueprints for reform are hastily drawn up only when market volatility an dchronic imbalances make adjustments of some kind imperative. They are the result of horse-trading between nations all of which have long-standing grievances.

This was the situation in the early 1970s when the Bretton Woods system of fixed exchange rates was finally abandoned in favour of floating currencies. It is also the position today when the floating rate system is in disrepute and politicians and economists are discussing the merits of exchange rate target zones or reference rates. It is unfortunate, for example, that the US appears to be willing to discuss currency reform only as a quid pro quo for stimulation of the West German and Japanese economies. Target zones may or may not be a good idea, but their rightness or otherwise is independent of the particular macroeconomic policies of particular countries at particular times.

### *False prospectus*

Indeed, there does seem to be some confusion about the purpose of talks between Group of Five countries. Is the primary aim to secure a "quick fix"—to persuade certain countries to alter their domestic policies in the interests of the world economy as a whole? Or is the aim to devise permanent mechanisms to prevent the wild gyrations of exchange rates perceived to be at the heart of the present economic crisis? The answer matters because present imbalances clearly could be sorted out by macro-economic adjustments in the US, Europe and Japan without a reform of the exchange rate system. Fiscal expansion outside the US to offset the planned contraction of the US budget deficit would help to narrow the trade imbalances.

Floating exchange rates, it is now clear, were sold on a false prospectus. The point is not that they have led to greater rather than less currency volatility (this, after all, could be mainly a reflection of divergent fiscal and monetary policies), but that they held out a quite illusory promise of greater national economic autonomy. Let your exchange rate float, the argument went, and you wil be insulated from policy mistakes in other countries and able to focus fiscal and monetary policy almost exclusively on domestic economic targets. The dominance of the floating rate mentality at the turn of the decade partly explains why the Reagan Administration took so long to wake up to the international repercussions of its actions.

### *Loss of face*

The inescapable reality of international economic interdependence no longer needs any spelling out. When macro policies are inconsistent and when capital is globally mobile, floating rates cannot be relied upon to keep current accounts in rough balance. Exchange rate preference zones, mutually agreed by the leading economies, would at least be a tangible sign of an intention to pursue consistent economic policies. But it is hard to see how they would exert much discipline unless their breaching resulted in a significant loss of face for the guilty party. Zones have to be more than good intentions: one of the strengths of a relatively rigid exchange rate pact such as the EMS is that participants have a strong political incentive to avoid the loss of face entailed in realignments.

In the run up to the expected G-5 talks, the important point to remember is that discussions about exchange rate reform are logically separable from the debate about appropriate short run macro-economic policies. West Germany and the US are never likely to agree about the efficacy of fiscal reflation. That should not stop them agreeing to changes in a floating rate system that has been found wanting.

# South Africa's choices

FOR THE next few months the future of South Africa is likely to be very much in its own hands. The country is to hold elections to the House of Assembly, the white chamber of parliament and, therefore, the one that counts most, on May 6. It will do so amid some signs that the old white political order is breaking up, or is at least under challenge, both internally and from without.

The departure of Dr Denis Worrall, previously the South African ambassador in London, to fight the elections as an independent, is only one example. Dr Worrall has despaired of the chances of the ruling National Party, which he once supported, ever mounting fundamental reform on its own. What he wants is the realignment of South African politics.

He is not without allies. He appears to be within reach of some sort of electoral pact with the Progressive Federal Party, the main white opposition, and with the smaller New Republic Party. Around this grouping there is the possibility of some support from the business community, which has been none too happy with President Botha's conduct of affairs in the past year or two. Some of the Afrikaner academics in the universities are also showing sympathy. The biggest prize of all, however, would be if some of the National Party could be persuaded to join the movement for reform. Without such a switch inside the NP, realignment towards a more liberal grouping looks improbable.

### *Regrouping of Right*

It is also quite possible that the country could go another way altogether: namely, towards a realignment of the Right. At present the National Party reigns supreme with an overwhelming majority in the House of Assembly. Recent threats to its domination have come not so much from the PFP as from parties who regard even President Botha as having gone too far towards meeting black aspirations. They are the Conservative Party and the Herstigte Nasionale Party. Many NP members could be tempted to join them if they felt that white supremacy was threatened; at the very least there could be a regrouping of right-wing forces that could still control the assembly.

That is for white South Africans to decide in the next few weeks. As it happens, the calling of the elections coincides with a period when the pressure for further economic sanctions against South Africa, so intense last summer, appears to have lessened. The European Community duly introduced a variety of measures towards the end of the year, but is not poised to do more. The Commonwealth is unlikely to raise the question again until shortly before the Prime Ministers' conference in Vancouver in October. The United States has gone quiet, perhaps because its collective mind is on other things, and even the front-line African states have been holding back in the knowledge that sanctions might do more harm to themselves than to South Africa.

### *State of flux*

That does not mean, however, that the argument about the merits of sanctions has been resolved either way. Indeed it is perfectly plausible to argue that without the existing sanctions, and the possibility of more to come, white South African politics would not be in their present state of flux. It is the threat of isolation that has helped to concentrate some South African minds. Meanwhile disinvestment, which is among the most powerful economic instruments of all, on the whole goes on.

This lull in the outside pressure for more sanctions is timely. If South Africa's white electorate were to vote in a way that would encourage reform on May 6, the pressure could be eased still further. It might even be possible to revert to discussions about how the outside world could encourage, rather than retard, South Africa's development as well as that of the front-line states.

But the corollary is also true. If white South Africa votes to retreat into isolation, the outside pressures will undoubtedly be on again. That is why the next few weeks are so important for South Africans.

The Olof Palme mystery

# Trials on a cold trail

By Kevin Done in Stockholm

A SMALL mound of frozen red roses still marks the spot on a grey, icy pavement in the centre of Stockholm where Olof Palme, Sweden's Prime Minister, was killed by an assassin's bullet a year ago next week.

A couple of hundred yards away in the graveyard of the Adolf Fredriks Church, the snow is swept away from a grave whose headstone bears the simple signature, Olof Palme.

Twelve months after the assassination Swedish police appear to be no nearer to finding the killer than when the first flowers were scattered on the blood-stained pavement where Mr Palme fell.

Two bullets found by passers-by within 48 hours of the murder remain the only concrete leads in the search.

There is no murder weapon, no motive, no murderer—and in recent days, virtually no murder hunt.

The investigation has ground ominously to a halt as a long festering feud between the police and the public prosecutor's office has burst into the open.

By turns the Palme murder hunt has provided both nightmare and farce.

The chief public prosecutor in Stockholm has publicly cast doubt on the main line of investigation pursued by the police; the police have scorned alternative leads suggested by the prosecutors. And while the two arms of the law do battle, public concern is growing over whether a police force under extraordinary pressure to produce results may have violated the legal rights of suspects.

Concern has focused on alleged police harassment of Sweden's Kurdish minority, and in particular suspected sympathisers of the PKK, the Kurdish Workers Party which the authorities have branded as a terrorist group.

Only days after the murder, a member of the security police warned: "We will pursue Kurds with a blow-lamp and stress and harass them to force a leak."

Since then, the feud between police and prosecutors has reached a near hysterical pitch. Furious prosecutors are understood to have accused the police, in the course of a secret meeting with Mr Sten Wickbom, the Justice Minister, of planning action against the Kurdish community which would rival the political detention campaign conducted by the Chilean junta after the overthrow of President Allende.

Mr Ingvar Carlsson the Prime Minister, has so far managed to prevent the murder hunt feud turning into a political crisis for his government.

The opposition has shied away from scoring political points from the disarray; but the quality of Mr Carlsson's leadership is clearly on trial.

Swedes, with a keen eye on their international image, have been deeply embarrassed by the fiasco. No event in recent history has had such a deep impact on the country as the assassination of the Prime Minister as he strolled home with his wife from the cinema.

The manner of the killing struck at the core of the country's open society. It was the sort of event that was unthinkable in Sweden. That the subsequent murder hunt should have degenerated into a public quarrel between the country's most senior legal officers has been a demoralising experience.

For a country which prides itself on giving asylum to the persecuted, the evidence of harassment of Kurdish refugees has been particularly dispiriting.

A certain degree of "creative tension" is built into the Swedish criminal investigation system: while the public prosecutor's office formally heads the investigation the police carry out the practical detective work. The two are supposed to work as a team—they have seldom done so in the current case.

From the start the investigation was taken over personally by Mr Hans Holmer, the controversial Stockholm police commissioner, effectively number two in the Swedish police hierarchy. Last week, Mr Holmer was replaced at the helm by his boss Mr Holger Romander, the national police commissioner. Ultimate responsibility for the hunt is now to be shared between Mr Romander and Mr Magnus Sjoberg, the national public prosecutor.

It was Mr Holmer's assumption of direct control at the outset which sparked the row with the public prosecutor's office.

The arrangement came under heavy strain in the first weeks of the hunt, as Holmer's suspicions moved heavily against a man who became known throughout Sweden as "the 33-year-old."

The man was charged with taking part in the murder, but within days was released for lack of firm evidence. Subsequently Mr K. G. Svensson, the senior prosecutor on the case, resigned claiming that the 33 year old's legal rights had been seriously violated.


The vigil goes on at the flower-strewn spot on a Stockholm street where Mr Palme was assassinated.

*An investigation of the* matter by Mr Bengt Hamdahl, the Chancellor of Justice, found that Mr Holmer had failed to show "a necessary will to co-operate" with the prosecutor. He rejected claims that the 33-year-old's rights had been violated, but accused the police of "negligence" in the way they conducted identity parades with key eyewitnesses.

"The conflicts seemed above all to have arisen from personal antagonism," he concluded.

To try to balance the powerful presence of the hard-bitten Mr Holmer, the prosecutor's role was taken over last summer by Mr Claes Zeime, the chief prosecutor in Stockholm. However, that relationship has proved equally unworkable.

Mr Holmer fell almost too easily into the stereotype of the tough, handsome police chief, willing to bend the rules a bit for a just cause. With his love for leather jackets and jogging kit he stood out among his more conventionally dressed colleagues.

Early on, he created his own heroic imagery for describing the hunt. He spoke of a thousand candles burning — as one lead was eliminated and a light was extinguished, so another was lit. Later the inquiry became a trawler ploughing through heavy seas with Mr Holmer as captain. A lighthouse flashing on the horizon told him he was on the right course.

Sweden wanted very much to believe him. The alternative was too hopeless.

Once suspicions against the 33-year-old were discarded, the focus of the hunt was switched to what Mr Holmer described as the "huvudspar," or main track.

Police imposed blanket surveillance—including extensive telephone tapping—on a small section of the Kurdish immigrant community associated with the PKK, a Marxist-Leninist group established in Turkey in the 1970s to fight for an independent Kurdistan, a region presently divided between Iraq, Iran and Turkey.

The PKK has been active in Sweden for several years. In 1984 and 1985 two defectors from the group were murdered by PKK sympathisers, one in the street in Uppsala, and one in Stockholm.

Under Holmer's leadership the police sought to substantiate the suspicion that the Palme murder was a contract killing ordered by the PKK leadership, based in Damascus.

The public prosecutors led by Claes Zeime have not shared the same conviction.

Police swooped on Kurdish and other suspects in January, picking up 20 people for interrogation. But within hours of the dawn raids, all had been released, on the orders of the prosecutors, because of lack of evidence.

The police were outraged at the precipitate release of the suspects and accused the prosecutors of "sabotaging" the investigation.

Several other theories have been put forward to explain the assassination. A Soviet film due to be shown on Swedish television later this month, for instance, points the finger firmly at Western intelligence services and ultimately the CIA.

Other leads have suggested a contract murder organised by a group of rich and disaffected Swedish exiles, an assassination with involvement by a fanatical neo-Nazi group, a motive stemming from some unknown part of Mr Palme's private life or simply the work of a lunatic.

*It is still not* clear to what extent Mr Holmer's influence has been removed from the investigation. He is now a member of a three-man advisory group to the national police commissioner, and leaks from the police leadership make it clear that the PKK line of inquiry will not be given up.

When Holmer first heard of the assassination he was on his way to take part in his 18th annual Vasaloppet, a gruelling 89-km cross-country ski race in central Sweden. "Even if there was not any snow, he would finish the race. He would never give in," says one close police colleague of Holmer.

# Economic forecasting: Take a large pinch of salt

Michael Beenstock

THE PRESS in recent years has established a new tradition of presenting league tables of economic forecasts. These include the forecasts of econometric groups such as the City University Business School or the London Business School as well as the forecasts of organisations in the City and the Treasury. Generally these forecasts differ; there are optimists and pessimists, there may be more consensus or less. Often the press attaches considerable significance to a change in a forecast or some extreme view.

But are the forecasts really different from each other? Are the pessimists really saying anything different from the optimists, especially in view of the margins of error that are inherent to forecasting? If gross domestic product is forecast to grow by 3 per cent, how sure can the forecaster be that it will not be 2 per cent or 4 per cent? My argument is that the margins of error are so large that in practice the optimists and the pessimists do not really differ. In short, forecasters are so uncertain about their own forecasts that they have little confidence in ruling out what competing forecasters have to say.

This does not mean that forecasters are disingenuous. If one forecaster forecasts 4 per cent growth and another $1\frac{1}{2}$ per cent, this is because the former thinks 4 per cent is the most likely or probable outcome while the latter thinks $1\frac{1}{2}$ per cent is most probable. Generally speaking economic forecasters do not report the degree of confidence that they have in their forecasts. But nor do weather forecasters.

The table reports the estimated margins of error around the central forecast values for GDP and prices for three forecasting groups. It should be interpreted as follows:

In the case of GDP the City University Business School (Cubs) team is 95 per cent sure that over a one-year forecast horizon GDP will lie within plus or minus 2.25 percentage points of its forecast value. Thus if the central forecast were for 3 per cent growth they are 95 per cent sure tht growth will not be more than 5.25 per cent or less than 0.75 per cent. Naturally, the three-year ahead forecast is subject to a larger zone of uncertainty; there is more uncertainty the further we peer into the future.

For technical reasons the numbers in the table are approximations and are not strictly comparable. Nevertheless, they indicate that the margins of error tend to be quite large. The 95 per cent zone of confidence is quite standard among statisticians, so we may use it to judge whether forecasts are significantly different from each other.

ZONES OF FORECAST UNCERTAINTY (+/—, %)

| | NIESR | | LBS | | Cubs | |
|---|---|---|---|---|---|---|
| | Yr 1st | Yr 3rd | Yr 1st | Yr 3rd | Yr 1st | Yr 3rd |
| GDP | 2.78 | na | 2.17 | 6.31 | 2.25 | 3.23 |
| Inflation | 3.55 | na | 3.25 | na | 3.43 | 4.7 |

In the recent past Cubs has been producing optimistic growth forecasts of about 4 per cent, while the National Institute of Economic and Social Research (NIESR) has tended to produce pessimistic forecasts. How pessimistic would a NIESR forecast have to be for us to be 95 per cent sure that it was different to the Cubs forecast? The answer turns out to be a growth rate of about 0.9 per cent per annum. But however pessimistic NIESR has been it has never been quite as gloomy as that! This means that the optimism of Cubs and the pessimism of NIESR are not really different from each other.

Similar considerations apply to inflation forecasts. Over a one-year forecast horizon the NIESR and Cubs inflation forecasts would have to differ by about 5 per cent per annum for us to be 95 per cent sure that the forecasts were indeed different. In practice the differences in inflation forecasts are not as great as this, in which case inflation forecasts do not really differ from each other either.

The moral of all this is that the press and other users of forecasts should not put too fine a point on the forecasts that are released. No doubt the forecasters themselves attach great insight to their own utterances (myself included) but a large pinch of salt is more appropriate. More generally the large margins of error are a reflection of how little we understand about our economy.

*Professor Beenstock is at the City University Business School.*

# Men and Matters

## Drexel's inside page

Drexel Burnham Lambert, the Wall Street investment house, has learnt that there is a jinxed spot in its annual review.

This handsome black-bound publication contains a blurb about Drexel's activities and illustrates it with pictures of key executives. Last year's review contained an illustration on page 36 of Dennis B. Levine, one of the first people to be rounded up in the current crackdown on insider dealing.

Undismayed, Drexel called the review in and re-issued it with a different picture. Unfortunately, it chose to replace Levine with a picture of its latest corporate finance star, Martin A. Siegel, who is at the centre of the latest round of insider arrests.

In the review, Siegel attributes his success to "teamwork," and is also quoted as saying: "Our most important characteristic is that we are ever mindful of our serious responsibility to each client."

The occupant of the p36 slot in this year's review, and his message for Drexel clients, will be scrutinised with interest.

## Sister contract

The Kremlin's decision to let Soviet citizens read the novel Dr Zhivago 25 years after the death of its author, Boris Pasternak, is causing great satisfaction to his two elderly sisters who have lived for half a century in a north Oxford suburb.

One of them, Lydia Pasternak-Slater, aged 84, sensed that things were changing a fortnight ago when she heard that a Soviet publishing house urgently wanted to receive some of her English translations of Pasternak's poetry, and that a contract would arrive shortly.

Several years ago a British publisher issued 50 of her translations. She has since completed many more, as well as a lot of other work which she hopes to see in print.

A popular figure among generations of undergraduates, she lives in a rambling house crowded with visual, literary, and musical memories of her youth in pre-Revolutionary Russia.

Oxford's Ashmolean museum also contains numerous paintings by her father Leonid Pasternak, Tolstoy's favourite illustrator.

## Promotion

Robert Maxwell, the larger than life Mirror publisher, decided to promote himself yesterday as well as his new paper, the London Daily News.

Maxwell, known throughout Fleet Street and beyond as Captain Bob from his wartime record in intelligence, was clearly in a military mood.

Speaking of his decision to take on both the national mornings and the London Standard with his new 24-hour paper due to be launched on February 24, Maxwell conceded: "Normally I admit, generals do not open two fronts at once. But the Daily News would compete against the nationals with more London stories in its "gold top" edition and against the Standard by "simply being a much better paper," he claimed.

"The advantage of combining the two fronts lies, not only in the better service to readers, but in the large gain in circulation which results from having a breakfast barrel and an evening barrel," said the man who would clearly like to be Fleet Street's commander-in-chief.

Maxwell is going to lead his troops from the front and do some of his own market research on the new paper. He has cleared his diary—well, almost—for the next few days and has invited about 2,000 people who have received a special preview issue of the paper to ring him personally with their views.


"Part of Star Wars—it can spot an Airbus sale three thousand miles away"

Meanwhile, the horoscope in the preview number, printed yesterday, has a cautionary word for Maxwell, a Gemini. "A mild spending spree looks likely," say the stars. The Daily News is going to cost Maxwell a mild £25m to launch.

## Future deal

Not content with being remembered as the father of financial futures, Leo Melamed, livewire special counsel to the Chicago Mercantile Exchange, has succeeded in selling a futuristic novel to Bonus Books, a local publisher.

With the working title of "The Tenth Planet," the work falls into the science fiction category which, it seems, has always been Melamed's favourite reading. Publication is expected in September.

To complete the oeuvre in the face of his busy schedule, Melamed, who is also president of Dellsher Investment, says he had to work nights, weekends and even while flying between business engagements.

Isaac Asimov's views on this incursion into his market are not known.

## Teed up

With the America's Cup over, golf is the big sports news in Australia. One of the richest golf tournaments in the world has been announced as part of the celebrations next year of the country's bicentennial.

The Australia Bicentennial Golf Classic will be worth A$1.5m (a shade under US$1m) and will be played in Melbourne during December. Already Greg Norman—winner of the Australian Masters at the weekend—Seve Ballesteros, Nick Faldo and Sandy Lyle are firm starters. And no appearance money has been offered.

Should the Australian dollar rally by a few percentage points over the next 22 months, the tournament could become the richest in golf, outstripping the US$1m on offer at the invitation-only tournaments in Sun City, Bophuthatswana, and in Las Vegas.

## Talk's cheap

After a small boy in a London-to-Liverpool train had kicked three passengers, sworn at two others, and dropped a chewed biscuit into a woman's umbrella, his mother told him he should be ashamed of himself.

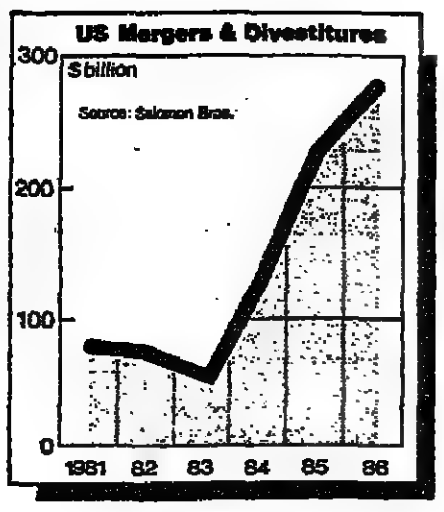
"He's a little terror," she confided to the compartment, "keeps threatening to run away."

A man in the corner lowered his newspaper. "Madam," he said, "I sincerely hope you have that in writing."

**Observer**

هكذا من الأصل

## COMPETITION POLICY

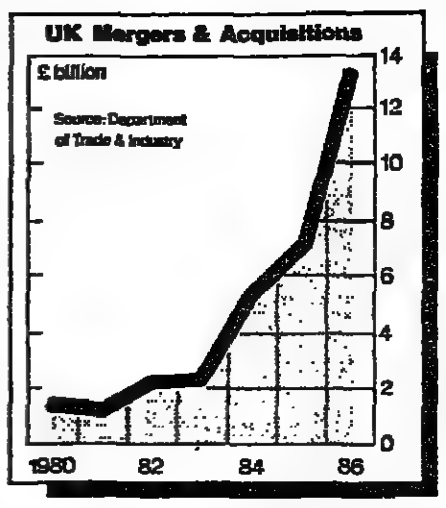




Daniel Oliver


Peter Sutherland


Sir Gordon Borrie




# Cartel busters under attack

By Michael Prowse

THE ANGLO-SAXON takeover boom, the popularity of privatisation and renewed interest in market efficiency are causing economists and politicians to ask fundamental questions about anti-trust policy. The key question is: to what extent do governments need to intervene to preserve and enhance competition?

Policymakers in London, Brussels and Washington are facing up to this in different ways. In the UK, the Department of Trade and Industry is conducting the first full-scale review of competition policy for nearly a decade.

Meanwhile, in Brussels and Washington, the thrust of official thinking is reflected in action and inaction respectively. The EEC competition directorate, under Mr Peter Sutherland, appears to be taking an increasingly tough line. It is mounting "dawn raids" on multinationals suspected of collusion and, as last year's polypropylene price-fixing case illustrates, imposing heavy fines.

Ironically, as Europe becomes more conscious of the need for tough anti-trust enforcement, the US under President Reagan appears to be moving in the opposite direction. The Administration is criticised for *taking an excessively soft line* on mergers.

Over the past 15 or so years, "Chicago school" economists have succeeded in rehabilitating much corporate behaviour previously considered anti-competitive. US courts are now much less likely to strike down non-price vertical restrictions (those between producers and distributors) and *much less likely* to regard price cuts as predatory.

In private suits the balance of advantage seems likely to shift in favour of defendants. Congress is expected later this year to consider a proposal that single, rather than triple, damages be payable in all cases except those involving blatant price-fixing.

Academic arguments about the desirability of stringent anti-trust laws are, at root, about the nature of competition and the ability of regulators to improve on free market outcomes. Those favouring tough policies often have the neoclassical benchmark of "perfect competition" at the back of their minds. Perfectly competitive markets—those with so many buyers and sellers that none has any influence over price—can be shown to possess all manner of optimal properties.

However, these markets are not much fun for entrepreneurs, who have no opportunity to make above average returns and so have a perpetual incentive to thwart market forces. If companies collude or can grow large enough to dominate rivals, they can make "monopoly" profits at the expense of the consumer.

So anti-trust officials on this model face a never-ending task. Unless adequately explained by *economies of scale*, concentrated markets and the emergence of industrial giants are almost bound to be tell-tale signs of anti-competitive behaviour.

Arguments in favour of aggressive competition policies have come under attack from several directions. The Chicago school challenged the notion that high profits in concentrated industries were primarily a reflection of abuses of monopoly power, claiming instead that they were usually the legitimate fruit of greater efficiency. Lingering unease about the consequences of industries being dominated by a few large companies was further undermined, in the early 1980s, by the rise of the theory of "contestable markets."

This theory suggests that markets with as few as two participants can enjoy all the optimal properties of perfectly *competitive markets. The claim* is that what counts is not the number of companies in a market, but the ease of entry and exit. The idea is that the incumbent companies will be forced to be efficient provided the threat of more competition exists.

A still more radical position has been adopted by economists working in the "*neo-Austrian*" tradition of Hayek and Schumpeter. They argue that standard neoclassical theory misunderstands the nature of entrepreneurial capitalism. Its static models leave no room for the key features of real-world business rivalry, which is characterised by constant innovation and adjustment in the face of uncertainty and changing consumer tastes.

They claim that in such circumstances the optimality theorems of the neoclassicists are meaningless. It is impos*sible to say when markets* "fail" and impossible to prove that anti-trust intervention will improve matters. The neo-Austrians are more willing to give businessmen the benefit of doubt. They are inclined to see high profits as a legitimate reward for efficiency and creativity, and expansion as a sign of successful strategy.

Some have adopted the extreme position that all anti-trust policies do more harm than good. In the pamphlet, Antitrust Policy: the Case for Repeal (Cato Institute, Washington), Professor D. T. Armentano even rejects the notion that perpetual business rivalry is necessary to preserve competition. He believes that price fixing and collusion can be legitimate business res*ponses: "Co-operation* and rivalry are alternative institutional arrangements by which entrepreneurs, under conditions of uncertainty, strive to discover opportunities and co-ordinate plans in a continuous search for profits."

The complete abandonment of anti-trust policies would be regarded with something approaching horror by most European economists. Indeed, many would argue that the idea could only be entertained seriously in a country like the US, which has benefited from a century of comparatively draconian legislation. There would be more sympathy, however, for the position adopted by Mr Daniel Oliver, chairman of the Federal Trade Commission in Washington. He sums *up the new anti-trust wisdom* as follows:

"In the past people decried bigness. We now know this was wrong. A small number of players doesn't necessarily mean that consumers will be damaged. The key thing is to look at ease of entry."

The "big can be beautiful" school received a fillip in 1982 when the US Justice Department finally dropped its case against IBM, declaring it "without merit." The company, which had been charged with creating a monopoly in violation of the Sherman *Act*, successfully argued that its market share was a reflection of superior efficiency, commitment to research and development and good customer relations, rather than anti-competitive behaviour. The subsequent *success of* its small rivals reinforces the argument that bigness is no guarantee of market dominance.

But while economists have become more cautious about condemning activities of large companies, few — the neo-Austrians aside — would welcome relaxation of the laws against collusion and cartels. Indeed, according to Professor Michael Utton of Reading University, British anti-trust policy has been at its weakest in "the detection and effective prosecution of covert agreements, where firms are prepared to infringe the law for the gains that successful collusion can bring."

The problem is that companies which illegally fail to register a restrictive agreement with the competition authorities face a negligible sanction. Professor Utton argues that the Office of Fair Trading should be able to fine offenders, as was recommended in the DTI's 1979 restrictive practices review. He also berates the Government for failing to tackle the widespread abuse of collusive tendering which, he argues, *should* be made illegal *per se* and subject to criminal penalties.

Some barristers and economists go further and contend that the UK should scrap its existing legislation on restrictive practices and model a new law on the relevant parts of the Treaty of Rome. They say the present presumption that anti-competitive behaviour is against the public interest should be replaced by a direct prohibition. This would make it far easier for individuals to sue privately for damages. The critics also believe that the OFT's powers of enforcement and investigation should be greatly strengthened.

Where does all this leave the DTI's competition policy review? One obvious irony is the gap between public perception of the problem and the concerns of the experts. There *is no hue and cry about in*adequate penalties for collusion, the difficulty of mounting private actions or the weakness of the OFT. Instead, in the wake of the merger boom, the spotlight remains fixed on the rules governing takeovers.

A cross-section of inexpert opinion seems to believe that merger regulations need to be tightened. Yet there is probably less wrong with British policy on mergers than with any other aspect of its competition legislation. The presumption that horizontal mergers (those between companies in the same business) will need to be challenged (because of the potential loss of competition), while conglomerate mergers will not, is academically sound.

Much the same line is taken in the US. Professor George Hay at Cornell University, for example, worries about the implications of the possible phasing out of triple damages in anti-trust suits, but believes the US takeover boom has raised few genuine issues for competition policy because it has mainly involved conglomerate mergers.

The FTC's challenging of the Hoechst bid for Celanese last month suggests that, where horizontal mergers are concerned, the Administration may be less of a pushover than its critics feared.

In the UK, the Government's political opponents have used the anxieties about takeovers as a way of re-opening old debates about regional policy, industrial policy and workers' rights. The danger is that the DTI, responding to the political pressures of the moment, will use the review as an opportunity to rebut arguments peripheral to the main issue, which is the role competition policy can play in making markets work more efficiently.

## Weighing up the case for shifting the burden of proof

SHIFTING the burden of proof, a *familiar* ruse in debating matches, is now the strategy being pursued by advocates of tougher controls on conglomerate mergers in Britain and the US.

At present, the onus of proof lies firmly with the competition authorities. Mergers are allowed to proceed unless they can be shown to be against the public interest (UK) or *to lessen competition* (US). In future, say the critics, mega-mergers should not be permitted, unless the parties can establish that they will yield benefits.

Support for a shift in the *onus of* proof extends well beyond the ranks of Labour Party activists in the UK. For example, Professor Kenneth George of University College, Cardiff, believes that internal growth is more likely to be solidly based on long-term efficiency gains than expansion through acquisition. He says it seems perfectly reasonable to expect the bidder to demon*strate benefit*. In December, Sir Gordon Borrie, at the OFT, railing against "short-termism," conceded that changing the burden of proof was an option which ought to be seriously considered.

In the US, scepticism about the hands-off approach to *conglomerate* mergers extends beyond those who distrust market forces and favour an interventionist industrial policy. For example, Professor Walter Adams of Michigan State University (co-author of the Bigness Complex) believes that a corporate culture glorifying size has done the US great harm. As part of the cure, he argues that mega-mergers should only be allowed if there are demonstrable benefits.

The fact that conglomerate mergers do not have much impact on competition carries little weight with advocates of a shift in the burden of proof. They cite numerous economic studies which seem to show that such mergers tend not to boost profitability or efficiency. If they fail to strengthen the *economy*—and if they raise sensitive regional and social issues—surely, runs the argument, the regulatory authorities should do more to discourage them.

Supporters of the status quo, however, also wield powerful arguments. In the UK only a tiny minority of large mergers—around 3 per cent—are referred to the Monopolies and Mergers Commission for scrutiny. If the burden of proof were shifted, the referral rate would rise dramatically. Indeed, the only fair approach might be to require all large bidders to argue their case in front of regulators. But this would create an administrative nightmare.

There is also an important point of principle. The normal presumption is that individuals can exercise property rights freely, unless their action can be shown to be detrimental to third parties. To argue that two sets of shareholders should not be able to agree a merger unless they can demonstrate benefits is to violate this principle.

Given the administrative arguments and the point of principle, it is likely that competition authorities will continue to give shareholders the right to make mistakes. That said, the onus most definitely remains on the owners of companies—especially the big institutions—to heed the economic evidence about lacklustre conglomerate performance. It is not in their interests to make lousy purchases.

## Letters to the Editor

### Developing countries and the British clothing market

*From the Co-ordinator, International Textiles and Clothing Bureau*

Sir,—Anthony Moreton in an excellent article (January 5) has shown that the British textile and clothing industry "is *alive and well*" and "*capable* of meeting the threat of foreign competition with assurance." At the same time Philip Stephens (January 7) and Janet Bush (January 15) have highlighted how the rapid growth of incomes in the UK has fuelled an upsurge in retail sales, among which those of clothing have been particularly buoyant.

Notwithstanding the favourable state of the industry, largely reflecting the fast growth of consumption, the British Textile *Confederation*, in presenting to the press its latest report on the first nine months of 1986, took up merely the fast growth and the alleged predominant share of developing suppliers in imported number of garments (page 21). Unfortunately this has crept into the article by Mr Moreton (January 12) which also contains two factual errors compared with the confederation's data.

First, the headline and first paragraph erroneously state that Far Eastern imports dominate the British market, that is sales in British shops. In fact, the confederates refer only to the predominant share *of developing countries* in British *imports* of clothing.

Second, Mr Moreton's fifth paragraph, pointing to the import growth in 1986 following strong growth in 1985, misread the first paragraph on page 21 of the confederation's publication which had made just the opposite point, namely that imports in 1985 were relatively low (and therefore the growth rate of imports in 1986 is lower over 1984 than over 1985). These two errors would unwittingly reinforce arguments normally put forward by the industry to buttress protectionist claims.

I need hardly emphasise the necessity for more balanced information concerning the relation between consumption, the state of the industry, and the growth and geographical pattern of imports of textiles and clothing. Therefore two main points need to be stressed: the growth of imports has to be seen in relation to the fast rise in incomes and consumer expenditure; imports of clothing into the UK come mainly, and those of textiles predominantly, from developed and not from developing countries when expressed in value.

The finding by the Bank of England (Quarterly Bulletin, December 1986, analysed by Mr Stephens and Ms Bush, December 12, 1986), that "the surge in consumer spending—triggered by rapid increases in wages and a lower inflation rate—had been a key factor behind the rapid growth in imports in recent months" is characteristic of the clothing sector. During the first nine months of 1986, consumer expenditure on clothing has increased by £800m, or 10 per cent. Imports of clothing from all origins has risen by *£200m, or 13 per cent, and those* from the developing Multi-Fibre Arrangement (MFA) suppliers by £80m, or 12 per cent. It is clear that due to discriminatory restrictions on developing countries' exports they have been prevented from taking full advantage of the increase in consumption.

In value terms imports of clothing from developing MFA suppliers during the first nine months of 1986 represented 40.6 of total UK imports of clothing (as compared to 40.9 per cent during the same period of 1985). Imports from developed countries, among which the EEC suppliers are the most important, represented more than half total UK imports of clothing in both 1985 and 1986.

Imports of textiles, which exceed significantly those of clothing, have also to be considered. In the case of textiles only 12.3 per cent of British imports came from developing MFA suppliers during the first nine months of 1986 (compared with 13.6 per cent in the corresponding period of 1985). Imports of textiles from developing MFA suppliers were actually lower during the first nine months of 1986 compared with the same period of 1985.

For textiles and clothing taken together, developing MFA suppliers accounted for 24 per cent of the value of total UK *imports in the first nine months* of 1986, more than 70 per cent being represented by imports from developed countries.

M. A. Bajwa.
*Geneva, Switzerland*

### University plea

*From Dr. P. Stratton*

Sir,—I see from Michael Dixon's report (February 11) that the governing body of our universities is advised to become more "like the main board of a big group of companies." It seems that this is to be achieved by replacing academics with representatives of "the outside world."

In other words the people who understand and are committed to the business of higher education and have contributed to its present remarkably efficient state (as measured by any objective criteria), will be displaced by people who will come in, presumably for a short period, to represent the interests of a particular group of customers.

There may be main boards in which the people who run the business are balanced by an equal numbr of customers, but can anyone point to a successful business that has this structure?

The sad fact is that our universities are relatively powerless against the short-sighted and apparently frivolous attacks to which they are currently being subjected. I would suggest that it is in the interest of employers of graduates and users of research pro*ducts to* be *served* by a strong and enthusiastic university system that has been allowed to plan its activities over a sensible time scale.

This will not happen unless influential groups such as employers become active to convince the Government that a more positive and long-term view of education is essential to this country's economic welfare. We really do not need our customers to tell us how to do our jobs, but we do need their active support if we are to have a chance to get on with those jobs.

(Dr.) Peter Stratton.
*Psychology Department,*
*Leeds University.*

### EEC proposals 'nonsensical'

*From F. Knox*

Sir,—The latest proposals by the EEC Commission for extending anti-dumping duties seem nonsensical. There has never been any question of components (as distinct from finished products) being exempted from anti-dumping duties if dumping is taking place. Semiconductors, one of the main components *in electronics* products, are at present the subject of a proposed anti-dumping action in the EEC.

Governments frequently offer inducements in the form of subsidies to foreign investment, and there may be a case for attaching conditions, such as local content requirements, to these inducements. However, to offer an inducement in the form of tariff protection for the final product, or to try to increase local content by tariffs on imports of components, are both obviously against Gatt. Tariffs imposed on imported components in such a situation should, incidentally, be described as tariffs, not as anti-dumping duties.

On the same World Trade page as the report (February 12) about the new EEC anti-dumping proposals, your reporter in Tokyo cites Japan's Ministry for International Trade and Industry as saying that the remedy for dumping of microchips by Japanese manufacturers would be to raise microchip prices in Japan. However, *this would increase the degree* of dumping (if in fact such is taking place).

There seems a need for restatement of the basic economic and legal principles about dumping.

*F. Knox.*
*5, Lynette Ave, SW4.*

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RESENTMENT AND FRUSTRATION BLAMED FOR LATEST RESIGNATION

# Broackes quits Eurotunnel board

BY ANDREW TAYLOR IN LONDON

SIR NIGEL BROACKES, chairman of Trafalgar House, the UK construction, property, shipping and hotels group yesterday resigned from the board of Eurotunnel, the troubled Channel tunnel consortium.

The resignation comes exactly a week after Lord Pennock announced that he intended to step down as the British joint chairman of the Anglo-French consortium.

A successor to Lord Pennock is expected to be announced shortly, possibly at a board meeting this Friday.

At one stage it had seemed likely that Sir Nigel, who had been strongly supported by the Bank of England, would succeed Lord Pennock, whose future had been in doubt since Eurotunnel struggled to raise £206m ($288m) in an international share placing last October.

The rift between Sir Nigel and the British and French contractors who helped found the consortium meant that his name was removed from the list of possible replacements several weeks ago.

The shareholders made clear that Sir Nigel could not take a leading role in the consortium and expect his company, Trafalgar House, to be considered for major contracts for the £5bn tunnel.

It is the resentment of some of the contracting shareholders and frustration at not being able to influence the way in which the company is being run which, close associates say, has persuaded the Trafalgar House chairman to resign.

Sir Nigel joined the board as a non-executive director at the prompting of the Bank of England last October. The Bank expected him to take a leading role in raising the profile of the project in the run-up to Eurotunnel's £750m international share sale planned for July.

Sir Nigel was the driving force behind Euroroute, a rival consortium which a year ago failed to wrest the contract to build the Channel crossing from Eurotunnel.

He maintains close contact with the Bank and is blamed by some insiders at Eurotunnel for the recent pressure from the Bank on Lord Pennock to stand down.

Several leading industrialists, including Sir John Harvey-Jones, retiring chairman of ICI and Sir Jeffrey Sterling, P&O chairman, have rejected informal approaches asking them to consider taking over the British chairmanship of Eurotunnel.

Sir Ian MacGregor, former chairman of the National Coal Board and British Steel and like Sir Nigel a former member of the Euroroute consortium, is also understood to have rejected suggestions that he might be considered as a replacement.

Other names linked with the chairmanship have included Sir Owen Green, chairman of BTR, the UK diversified industrial group.

The controversy over Lord Pennock's decision to stand down as chairman, Sir Nigel's resignation and the publicity over the Bank's involvement in Eurotunnel's affairs is a further setback for the consortium as it gears up for this summer's crucial share issue.

Mr Michael Julien, Eurotunnel's deputy chief executive and former finance director of Midland Bank, last week accused outsiders of meddling in the company's affairs and damaging the long-term interests of the project at a crucial stage in its development.

The consortium has a series of important hurdles to clear in the next few months, including the finalisation of loan and standby credit agreements worth more than £5bn with around 40 international banks.

# $ picks up after Baker comments

By Janet Bush in London and Lionel Barber in Washington

THE DULL nature of trading during yesterday's US bank holiday went some way towards mitigating the effect of remarks by Mr James Baker, US Treasury Secretary, that the dollar's decline so far had been orderly.

The US currency had opened lower in response to Mr Baker's comments in a television interview on Sunday night but then drifted upwards to regain some lost ground in subdued business.

Previous remarks to the same effect by Mr Baker in recent weeks had been interpreted by foreign exchange markets as an attempt to "talk the dollar down" and had provoked substantial selling.

Mr Baker has been accused of actively encouraging the dollar's fall against the D-Mark and the yen in order to halt pressure on them to stimulate their own economies to help cure Washington's $170bn trade deficit.

His latest comments sent the dollar to a low of DM 1.8090 early yesterdy but it then recovered to close in London at DM 1.8220 compared with its close on Friday of DM 1.8295.

Mr Baker described recent trading in the dollar as "orderly and moderate" and said the currency was not in free fall. He said that if the dollar fell too rapidly, there could be a resurgence of inflation in the US. But he said that this had not yet occurred, adding that he and Mr Paul Volcker, chairman of the Federal Reserve, were agreed on this point.

Mr Volcker is due to give a semi-annual review of the US economy and money supply on Thursday, the same day as the release of revised fourth-quarter figures for US gross national product. The dullness of yesterday's trading was partly attributed to caution ahead of these events.

Mr Baker insisted that there was no dispute between Mr Volcker and himself on how far the dollar should decline. The market's perception of the two men is that Mr Baker has been responding to political pressures within Congress to cut the trade deficit using a lower dollar while Mr Volcker has consistently warned about the inflationary consequences of further dollar falls.

Mr Baker repeated his belief on Sunday that countries should attempt to co-ordinate more in setting economic policy and that this co-operation should go beyond agreement on currency values. He did not, however, signal an imminent meeting of the Group of Five industrial nations.

THE LEX COLUMN

# Elders cranks the handle again

Elders IXL is absolutely not the sort of company that allows a rerating of its share price to go unexploited. So the market's surprise at Elders' A$875m rights issue is not altogether understandable. It was a neat twist to announce a bonus issue on the share capital as enlarged by the rights. That will make it even more dilutive for shareholders who do not want to take up their rights.

Elders would not be Elders if it gave debt reduction as the reason for the issue. The one-line explanation naturally earmarks the funds for yet more acquisitions. The rise in BHP's share price yesterday may have been based on the hope that Elders will make that company its next target. But Elders seems much more interested in realising a capital gain of about A$700m on its BHP stake, and reinvesting the proceeds outside Australia. It really should move soon, since the carrying cost of the stake is about twice the dividend flow.

The stated increase in profits of 160 per cent looks fine on paper, but – for what it is worth – the organic growth is no better than steady. Stripping out the odd item which should really be classed as extraordinary, and also the courage earnings stream, underlying profits have gone up from A$150m to about A$170m; nothing special, given the helpful weakness of the home currency.

Courage just about broke even, after financing costs, but Elders is working on a refinancing deal, essentially a sale and leaseback of pubs, which should leave that business virtually free of debt. The rise in the Guinness share price above £3 yesterday could be described as a recognition of the possibilities.

## Scandinavian Bank

Scandinavian Bank is so strange a beast that it would have been asking for trouble to plunge straight into an offer for sale. The bank is fresh from the legal triumph of getting permission to divide its equity between four currencies – it is as yet unique in doing so – and it is now offering multi-currency units. Since the business is largely an unusual cocktail of Swiss fund management with international treasury operations, not duplicated by anything else in London, there is no mystery why Scandinavian's advisers (Morgan Grenfell and Cazenove) decided to let the market do the pricing.

A tender might thus have been the thing, if the last bank to come to market by means of a tender had not been Morgan Grenfell itself, with unfortunate results, in Scandinavian's case, there is moreover an educational job to do: unlike Morgan, this is not a business which the whole City knows well, or can confidently set out to value. Hence yesterday's pathfinder. But here goes.

Despite the addition of something over £30m of free equity in the flotation, Scandinavian's traditional banking must suffer from the general competitive squeeze; the main reason banking profits will nevertheless rise is a deliberate clamp on lending and a falling level of provisions over the coming years. But while Treasury profits are relatively prone to fluctuation, despite the smoothing effect of accruals accounting, fund management operations do attract high prices in a bull market. Scandinavian ought to fetch more than a clearing bank multiple, but there is equally little doubt that the issue would struggle at anything over 250p (just under 10 times 1986 earnings).

## Dalgety

Dalgety has for years been wrestling with the view that it merely swings unattractively between dullness and cyclical unpredictability. The struggle was set back at least two years by the unfortunate acquisition of Gill & Duffus, but the latest interims should help restore some of its damaged credibility. It is true that the main boost comes from a probably unrepeatable improvement from the Canadian lumber business and that the first contribution from Golden Wonder cannot be extrapolated; however, the strategic emphasis away from agribusiness and commodities towards food manufacture has been re-established.

Indeed it was somewhat over-established at yesterday's presentation. Food is not the unqualified growth sector that Dalgety implies, as its own performance in eggs and baking bears witness. Meanwhile, agribusiness may be in slow long-term decline (rather less slow in animal feeds), but with impressive market share and sitting at the top of a capital expenditure cycle the earnings should remain strong. Overall earnings per share are back on the upward track (although they may not return to 1985 levels for another year) and given that only 43 per cent of pre-tax profit comes from food manufacturing a prospective multiple of over 12 leaves it at a surprisingly narrow discount to that sector. There may be some bid speculation in the share price but shareholders may wonder whether there is enough break-up premium to justify Hillsdown for perhaps Demerger) in paying the premium for control.

# Burgeoning debt is main task for Irish poll victor

BY HUGH CARNEGY IN DUBLIN

Dr Garret FitzGerald

VOTERS IN the Irish Republic will today choose a new government to confront the country's awesome economic difficulties, dominated by a huge national debt which has crushed growth and helped to push unemployment to nearly 20 per cent of the workforce.

The choice presented by the general election is essentially between the growth-oriented policies of Mr Charles Haughey's Fianna Fail party and an uncompromising package of spending cuts and fiscal stringency offered by Dr Garret FitzGerald, the outgoing Prime Minister and leader of the Fine Gael party.

Opinion polls during the rather colourless four-week campaign have indicated a lack of enthusiasm for both men, who are fighting their fourth election against each other and whose political futures probably depend on the outcome.

Support for Fianna Fail has slipped back far enough from an early commanding lead to throw doubt on its ability to win an overall parliamentary majority. At the same time, Fine Gael's best showing was 30 per cent. Up to the finish, a significant chunk of voters remained undecided, making the outcome hard to predict.

Fianna Fail, the biggest party in the country, is the only one within striking distance of winning a majority on its own. Fine Gael has never won more than 70 of the 166 dail (lower house) seats and is likely to come out well below that this week.

Dr FitzGerald is, therefore, presenting a new potential coalition to succeed the Fine Gael-Labour partnership of the past four years as the alternative to Fianna Fail. The ties with Labour, always subject to strain over economic policy, were finally broken last month over Fine Gael's insistence on social welfare cuts. The link now offered by Dr FitzGerald is with a new party also committed to sharp cost-cutting measures, the Progressive Democrats.

However, to win the 84 seats needed for an outright majority, Fine Gael would have to hold at least its present 68 seats and the Progressive Democrats to add 11 to their present tally of five. It is an unlikely outcome given that the Progressive Democrats have gained much support at Fine Gael's expense.

Fianna Fail may also have difficulty making the 13 gains it needs for a majority, which means the outcome is likely to be a minority Fianna Fail government supported by a combination of Labour, which is expected to lose many of its 14 seats, the Marxist Workers Party, currently with two seats, and independents.

The role of the Progressive Democrats, led by Mr Desmond O'Malley, a former Fianna Fail minister, has injected much uncertainty into the election. From a nervous birth just 14 months ago, it was blossomed into a confident organisation that is stealing support both from Fianna Fail voters, unhappy with Mr Haughey's autocratic leadership, and from Fine Gael voters fed up with Dr FitzGerald's failure to sort out the economy.

The Progressive Democrats aim to hold the balance of power after today. The Party is unenthusiastic about Dr FitzGerald's coalition call, mainly because it wants to preserve its independence. But ultimately, however, the party will find it hard not to do a deal with Fine Gael.

The election campaign began four weeks ago on a rather perverse note: Dr FitzGerald and Mr John Bruton, his Finance Minister, launched their campaign by publishing the budget proposals Labour rejected. These included an increase in petrol and tobacco prices, higher health service charges and cuts in social welfare and unemployment benefit – hardly a vote-winning combination.

The message Dr FitzGerald has repeated over and over again was that the state of the economy demanded more austerity to set it back on the tracks. The national debt stands at 148 per cent of gross national product and public spending outstrips government revenue by 30 per cent.

The weakness in this message was that Dr FitzGerald had presided for four years over a government which failed to overcome the problem. Nevertheless, Fianna Fail's refusal to specify the spending cuts it acknowledged would be required, and its concentration on equally nebulous measures to promote growth, has apparently failed to inspire the recession-weary electorate.

The chief worries among voters have been unemployment, the spate of emigration associated with it, and the cripplingly high levels of direct and indirect taxation that have been imposed to help to manage the debt problem.

But despite the seriousness of these issues, the campaign failed to catch light for the first three weeks. When it did spark, it was on the issue of Northern Ireland, which Mr Haughey and Dr FitzGerald had originally said should not become subject to electioneering.

In the end, Fine Gael and the Progressive Democrats attacked Mr Haughey for what they called his ambiguous attitude towards the Anglo-Irish agreement, the 1985 accord giving Dublin a formal say in Northern Ireland affairs, which is popular in the Republic.

Mr Haughey was caught out during a television debate with Dr FitzGerald when he appeared to deny his own words in a radio interview about wanting to win changes in parts of the agreement which he believed deny the Republic's constitutional claim to Irish unity. Dr FitzGerald said Mr Haughey's approach threatened the foundation of the agreement.

# Fermenta to raise at least SKr 170m

BY KEVIN DONE IN STOCKHOLM

FERMENTA, the embattled Swedish chemicals and antibiotics group, last night announced plans to raise between SKr 170m ($26m) and SKr 330m in a new equity issue as part of a financial rescue package.

At least SKr 170m has been underwritten in a planned directed issue to an unspecified group of institutions and companies. The remaining SKr 160m would be an unguaranteed rights offer to existing shareholders.

The Fermenta board said last night that the company's shares had to be considered a high-risk investment and that the share value was difficult to assess.

The group pointed out that the market for its main product, bulk antibiotics, was under heavy price pressure, and that the company was in a difficult stage of reconstruction.

Last month, Fermenta warned that it faced a loss of up to SKr 136m for 1986 compared with a profit of SKr 1.5bn forecast at the end of October.

The new shares will be priced at SKr 20 each, compared with a peak of around SKr 300 in January last year. That was shortly before the group was rocked by the first of a series of scandals, which brought the company close to financial collapse last month. The rights issue to sharehlders will be on the basis of one new share for every four held.

Fermenta was expelled earlier this year from the Stockholm Stock Exchange, but its shares were trading on the unofficial market last week at SKr 27.50 (B restricted) and SKr 36 (B free), before the company requested a suspension of dealing on Wednesday pending the announcement of details of the equity issue.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | R | 10 | 50 | Dubrovnik | F | 12 | 54 | Malta | S | 17 | 63 | Rhodes | R | 14 | 57 |
| Algiers | F | 16 | 61 | Edinburgh | S | 2 | 36 | Manchester | F | 2 | 36 | Rio de J'o | C | 30 | 86 |
| Amsterdam | C | 3 | 37 | Faro | F | 17 | 63 | Manila | S | 30 | 86 | Rome | R | 14 | 57 |
| Athens | S | 16 | 61 | Florence | C | 12 | 54 | Melbourne | S | 26 | 79 | Salzburg | Sl | 2 | 36 |
| Bahrain | S | 25 | 77 | Frankfurt | Sn | 1 | 34 | Mexico City | S | 27 | 81 | San Francisco | S | 8 | 46 |
| Bangkok | S | 32 | 90 | Funchal | F | 17 | 63 | Miami | C | 23 | 73 | Seoul | S | 1 | 34 |
| Barcelona | S | 11 | 52 | Geneva | C | 3 | 37 | Milan | R | 6 | 43 | Singapore | F | 31 | 88 |
| Beirut | S | 18 | 64 | Gibraltar | F | 16 | 61 | Montreal | C | -21 | -6 | Stockholm | S | -6 | 21 |
| Belfast | S | 3 | 37 | Glasgow | S | 3 | 37 | Moscow | S | 2 | 36 | Strasbourg | Sn | 3 | 37 |
| Belgrade | C | 8 | 46 | Guernsey | F | 4 | 39 | Munich | Sn | 1 | 34 | Sydney | R | 21 | 70 |
| Berlin | D | 1 | 34 | Helsinki | Sn | -6 | 21 | Nairobi | S | 28 | 82 | Taipei | S | 25 | 77 |
| Biarritz | F | 8 | 46 | H. Kong | S | 21 | 70 | Naples | F | 11 | 52 | Tangier | C | 15 | 59 |
| Bombay | S | 27 | 79 | Innsbruck | C | 3 | 37 | Nassau | C | 24 | 75 | Tel Aviv | S | 17 | 63 |
| Bordeaux | S | 3 | 37 | Inverness | F | 3 | 37 | New Delhi | C | 26 | 79 | Tenerife | C | 20 | 68 |
| Brussels | C | 0 | 32 | Islamabad | R | 14 | 57 | New York | C | -6 | 21 | Tokyo | S | 10 | 50 |
| Budapest | C | 4 | 39 | Istanbul | C | 10 | 50 | Nice | R | 9 | 48 | Toronto | S | -14 | 7 |
| B. Aires | S | 30 | 86 | Jakarta | R | 30 | 86 | Nicosia | C | 20 | 68 | Tunis | C | 12 | 54 |
| Cairo | S | 23 | 73 | Jersey | F | 5 | 41 | Oporto | C | 13 | 55 | Valencia | S | 15 | 59 |
| Cape Town | S | 23 | 73 | Jo'burg | F | 26 | 79 | Oslo | S | -5 | 23 | Venice | D | 6 | 43 |
| Caracas | C | 26 | 79 | Lima | S | 28 | 82 | Paris | C | 1 | 34 | Vienna | C | 5 | 41 |
| Casablanca | F | 16 | 61 | Lisbon | C | 14 | 57 | Peking | Sn | 1 | 34 | Warsaw | C | 2 | 36 |
| Chicago | C | -3 | 27 | London | C | 3 | 37 | Prague | C | 1 | 34 | Washington | F | -8 | 18 |
| Cologne | C | 1 | 34 | Los Angeles | S | 13 | 55 | Reykjavik | C | 2 | 36 | Zurich | C | 1 | 34 |
| Copenhagen | Sn | -1 | 30 | Luxembourg | Sl | -1 | 30 | | | | | | | | |
| Corfu | F | 13 | 55 | Madrid | F | 8 | 46 | | | | | | | | |
| Dallas | C | 4 | 39 | Majorca | F | 12 | 54 | | | | | | | | |
| Dublin | S | 3 | 37 | Malaga | F | 17 | 63 | | | | | | | | |

*Readings at mid-day yesterday:*
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

# Lambsdorff fined for tax evasion

Continued from Page 1

Much of the scandal started in 1975 when, having sold its 29 per cent stake in Daimler Benz to Deutsche Bank, Flick began to look for ways to save the half of its DM 1.9bn capital gain which was threatened by taxes.

The political damage that Count Lambsdorff might have sustained after his enforced resignation has been mitigated by the widespread opinion that most political parties were taking money from industry in the same way and that he did not benefit personally.

The FDP leadership yesterday pronounced itself "satisfied" with the sentence. One executive member said Count Lambsdorff was again fully capable of taking high office. He has said, however, that he will not seek office for a year. For one thing, he has made a much more comfortable living recently through writing and advising corporations than he did as a minister.

But it is widely thought that he would find the offer of a cabinet seat almost impossible to reject. Talks with other coalition parties on manning a new cabinet begin in the next two weeks, as soon as the post-election policy negotiations are complete.

The radical Greens party, the only parliamentary group not touched by the scandal, quickly denounced the sentences as being too lenient. "The small ones they hang, the big ones go free," complained a spokesman. The main opposition party, the Social Democrats, said the "remarkably" large fine imposed on Count Lambsdorff should make his return to high political office the subject of very careful consideration.

# Argentina proposes new loan scheme

BY ALEXANDER NICOLL IN LONDON

ARGENTINA has suggested to its leading bank creditors that banks with small loans outstanding to the country should be provided with a mechanism to end their exposure and thus escape a new demand for a new $2.1bn loan and rescheduling package.

The proposal for so-called "exit bonds" was put by Argentine officials to the country's advisory committee of creditor banks as part of a request for the new loan and the rescheduling of $30bn of existing debt, most of which is already subject to previous rescheduling agreements.

The international banking community has discussed methods that would enable small creditors to terminate their exposure, but has so far adhered to the principle that all creditor banks be asked to contribute to new loans and reschedulings for troubled debtors in proportion to their exposure.

The new plan was tabled, however, at a time when financing packages for Mexico and Nigeria, the first two countries to win schemes under the US-sponsored Baker Plan, are bogged down while smaller banks are cajoled into the deals.

Argentina is understood to feel that such delays damage international confidence in the debtor country and help to provoke capital flight. It argues that of the 360 banks which participated in its last package, one-third accounted for just 1 per cent of the total. The middle third accounted for 6 per cent, and the remaining 120 banks accounted for 93 per cent.

It is suggesting that the bottom third be offered "exit bonds", which would be at a discount to face value and which could then be traded in a secondary market.

Argentina, although it asked for an extended grace period for repayments, did not make specific proposals for interest margins or maturities. It asked the banks to come up with proposals themselves, taking into account their agreements with other debtors.

It is, however, expecting substantially easier terms than the 1⅞ per cent spread over money market rates over 12 years it obtained in 1984. Reports in the Argentine press have suggested it is looking for a ⅝ spread, lower than the 13/16 obtained by Mexico for a 20-year package.

Argentina is proposing a debt-equity scheme in which swaps into equity would have to be matched by new investment, and also proposes to eliminate from the new loan on-lending clauses which enable banks' exposure to be transferred to different borrowers within Argentina.

The committee agreed to consider the proposals and to meet Argentine officials again on February 25.

# Dubai to cut oil output

Continued from Page 1

$18 per barrel rather than $15 or less.

Although oil companies can do little to support the price, some at least would prefer not to "rock the boat" so long as Opec can maintain a respectable front of discipline.

At the annual gathering for the Institute of Petroleum dinner in London this week, discreet efforts are likely to be made to create a consensus of tacit support for Opec, at least while some hope of price stability remains.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday February 17 1987



# Cofide, Shearson launch financial venture

By Alan Friedman in Turin

SHEARSON Lehman American Express, the Wall Street investment banking group, and Cofide, the master holding company of Mr Carlo De Benedetti, yesterday announced the formation of a new joint venture to create and sell personal financial services in Italy.

The new company, to be called Finanza & Futuro (F&F), will be designed to market unit trusts, private pension schemes, insurance, personal portfolio management and other financial services.

The venture strengthens existing ties between Cofide and Shearson Lehman, which is a key institutional shareholder with 4.9 per cent of the De Benedetti company.

F&F, which will be 75 per cent owned by Cofide and 25 per cent by Shearson Lehman American Express, will have an initial capital of L50bn ($38.5m), to be raised within the year to L100bn.

Mr De Benedetti said in Turin yesterday that the aim of the new venture was "the distribution of financial products for the family".

F&F would market its products, including several new unit trusts it is forming, through a network of about 2,000 agents throughout Italy.

Mr Luigi Spaventa, the Rome economist, is to become chairman of the new company, while Mr Mario D'Urso, of Shearson Lehman, is appointed vice president of F&F.

One of the main products of F&F will be Fondo Professionale, a unit trust with net assets of L1,800bn and with 23,000 investors.

Mr De Benedetti also indicated yesterday that he was interested in acquiring a third insurance company.

Mr De Benedetti said that two of his companies – Sabaudia and CIR – had bought a 2.2 per cent equity stake in Generali, Italy's biggest insurer.

Andrew Fisher in Munich looks at the race for a bigger slice of the sports shoe market

# Reebok holds its worldwide lead over Puma

THERE were a few awkward moments, but Boris Becker, the West German tennis star, did not have too much difficulty in beating Miloslav Mecir in Munich last week.

Becker was fully kitted out by Puma, the German sports shoe and clothing company, whose shares are badly out of favour on the stock market after a glittering debut last year. Mecir, a Czech, is on the books of the rival Reebok concern and had its name sewn unostentatiously on his tennis shirt.

While there was plenty of aggression on the court, it was nothing compared to the ferociously competitive nature of the sports shoe market. For not only has Reebok trounced Puma, now struggling to repair the financial damage caused by its poor performance in the US last year, but it has also toppled Nike from its top slot in the almost $3bn a year US sports shoe market.

Worldwide, Reebok – a company of British origin whose shares are quoted on the New York Stock Exchange – is second to Adidas, the larger and unquoted German competitor of Puma. As its scope for further growth in the US inevitably diminishes, Reebok intends to attack harder elsewhere. Its latest target is Germany, where Adidas and Puma dominate the market.

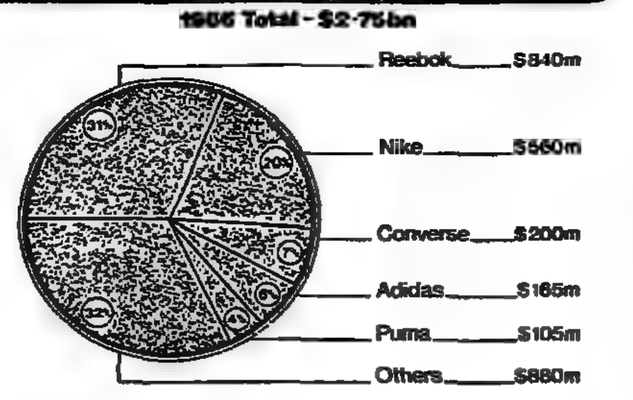
By the end of 1989, said Reebok's president Mr Joe Foster, the company hoped to do as much business outside the US as it did inside that market last year. In 1986, Reebok's US turnover soared from $307m to $919m, with net income up from $39m to $132m, and earnings per share up from 91 cents to $2.55.

Not surprisingly, some analysts question whether Reebok, based in Massachusetts, can continue advancing so smartly. Mr Foster, who looks after non-US business, said the explosive growth rates of the past few years, with turnover amounting to a mere $66m in 1984, could not be continued. Hence the push into other markets.

Ms Charlotte Hughes, a footwear and retail analyst with Montgomery Securities of San Francisco, reckoned Reebok would earn $3 a share in 1987. However, looking further ahead, she added: "There's quite a bit of scepticism."

Reebok, basing its German effort near Munich, intends to present broadly the same products in Germany with which it has succeeded so dramatically in the US. Thus its lightweight, soft leather, fashion-oriented aerobic or fitness shoes will be strongly emphasised. Puma's slowness in reacting to this trend in the US caused it to suffer badly there last year, although the fall in the dollar also contributed.

US Sports Shoe Market
1986 Total – $2·75bn




Source: Montgomery Securities, Sports Style and Sports Ink Magazines

It is now working hard to rebuild both its finances and its market position in the US, where it is number five in sports shoes, with Converse third after Reebok and Nike, and Adidas fourth. Controlled by brothers Armin and Gerd Dassler, cousins of Horst Dassler who runs Adidas, its preference shares were floated at DM 310 last July.

They quickly shot to DM 1,550, with the Becker connection enhancing their glamour (Martina Navratilova and Diego Maradona, the Argentine football star are also signed with Puma). Last week, however, they closed at DM 420.

Puma, based like Adidas in the northern Bavarian town of Herzogenaurach, was too slow-footed in the US in the wake of the aerobic shoe trend and its losses and expected stock write-downs there for 1986 and 1987 will total $27m. This will wipe out last year's profits from elsewhere.

Like other analysts, Mr Adrian Brundrett of Citibank's Frankfurt office is scathing about Puma's weak showing in the US and of the role of Deutsche Bank in bringing it to the market. "Puma has turned out to be one of the biggest flops on the new issues scene to date," he said. "Why were investors given the impression that the US problems were of a temporary nature and that everything was in fact under control?"

Puma's response to its US debacle has included a DM 62m ($34m) loan from the Dassler brothers. The loan, which is to be converted into shares for sale to the public later will allow Puma to avoid a loss. It has also taken stronger control over its US distribution.

However, Mr Brundrett said: "It could take Puma years rather than months to recover from the deep inroads made into its US business by Reebok."

In Germany, on Puma's home ground, Reebok, which runs its non-US business from Bolton in north-east England where the original company began, is taking a measured approach. In a market estimated at DM 1.5bn a year, it is aiming for sales of DM 10m in the first year, rising to about DM 50m in three years.

To get the market right, said Mr Richard Litzel, head of the German subsidiary, it will work closely with specialist retailers. The strategy in Germany, the third biggest sports shoe market in the world, will be directed at the medium and long-term. "We don't expect the same rate of development as in the US," he said. Reebok will be aiming at the middle and upper middle market sectors.

Reebok, in which Pentland Industries of the UK has a 37 per cent stake and US-based chairman Mr Paul Fireman and his brother hold about 14 per cent, has most of its shoes made in the Far East.

Puma says it is not too worried about Reebok's chances on the German market. Germans it says, are likely to stick to what they are used to, namely the more robust athletic-type models, rather than go for the soft aerobic shoes of Reebok.

With last year's turnover down from DM 1.8bn to DM 1.5bn, though, including a slump in the US from DM 272m to DM 91m, Puma is certainly not in a mood to take chances. Last September, it complained its trade marks were being infringed by Reebok shoes at a Munich trade fair and slapped on an injunction. Reebok has since changed its stitching, which had roughly followed the line of Puma's coloured strip.

# Ericsson stages modest half-year recovery

By Kevin Done, Nordic Correspondent, in Stockholm

ERICSSON, the Swedish telecommunications and electronics group, halted the sharp two-year decline in its profits last year with a modest improvement in the second half, despite continuing losses in business information equipment and in the US.

Group profits before tax and allocations increased by 3.6 per cent to SKr 910m ($140m) from SKr 878m in 1985.

Profits were still below the peak of SKr 1.76bn for 1983, however, and the decline in both 1986 and 1985 would have been worse but for extraordinary profits.

Last year's profits included SKr 380m of extraordinary gains from the sale of property, assets and equity holdings compared with extraordinary gains of SKr 333m in 1985.

Mr Björn Svedberg, chief executive, warned that no major assets sales were planned for 1987. "We must work much more with the operational result."

The trend in operating results in the last six months of 1986 had been positive.

Part of the improvement in Ericsson's performance is masked by the fact that it is now carrying 100 per cent of the losses of its US operations, following the takeover at the end of 1985 of the 50 per cent interest in Ericsson Inc, the group's US subsidiary, previously owned by Atlantic Richfield, the US oil company.

Ericsson said that its net financial income was weakened by "currency and operating capital trends in Mexico."

Information systems made a loss for the third successive year in 1986, but it is believed that the operating deficit was cut to between SKr 200m and SKr 300m from the heavy SKr 806m loss in 1985.

Overall Ericsson turnover declined slightly last year to SKr 31.7bn from SKr 32.5bn in 1985. The group is planning to pay an unchanged dividend of SKr 9 per share.

# Bank details UK offer plans

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

INVESTORS will be offered slightly more than a third of the equity in Scandinavian Bank when it comes to the UK stock market with its unusual multi-currency shares in two weeks.

The pathfinder prospectus for the issue, published yesterday, shows that the London-based consortium bank will be offering 27.5m new and existing shares to the public, raising its total shares in issue to 79.5m.

Scandinavian, UK-registered but owned by five Scandinavian banks, ranks 11th in the UK in terms of assets. It obtained a landmark High Court judgment at the end of last year which allowed it to transform its sterling capital into four currencies.

The shares will be issued in the form of units denominated in four currencies: sterling, dollars, Swiss francs and D-Marks.

Each unit will be a basket consisting of 10p, 10 Swiss centimes, 10 US cents, and 10 German pfennigs. However, the units will be priced in sterling and the dividends will be paid in sterling.

The arrangement will protect Scandinavian's capital from the depreciation of sterling and safeguard its capital ratios.

Three of the bank's Scandinavian owners will offer part of their holdings for sale. About half of the issue will be new shares which are being sold to raise fresh capital for Scandinavian Bank.

The units will be priced next week on the basis of market conditions. At the end of last year, the bank's shareholders' funds amounted to £126m ($191.5m), valuing each of the existing shares at 196p. However, the issue is expected to be priced at a premium.

The merchant bank advising on the issue is Morgan Grenfell, and the stockbroker is Cazenove.

The pathfinder prospectus makes no profit forecasts, but a dividend forecast will accompany the pricing next week.

After the issue, the public will own 34.5 per cent of the bank. Its other shareholders will be Bergen Bank (Norway) and Union Bank of Finland, both with 20 per cent, Skandinaviska Enskilda Banken (Sweden) with 14 per cent, Privatbanken (Denmark) with 8.1 per cent and Landsbanki Islands (Iceland) with 2.5 per cent. Employees will own 0.9 per cent.

The banks selling part of their shareholdings are Bergen Bank, Union Bank of Finland and Skandinaviska Enskilda Banken. All five banks have undertaken not to sell or buy any more shares for four years, and then only after 12 months' notice.

# Strong rise at Finnish forest products group

By Olli Virtanen in Helsinki

ESO GUTZEIT, Finland's leading forest industry group, saw profit before financial items rise by "more than FM 100m" ($22m) from the profit of FM 184m of 1985. Group turnover for 1986 rose by 5 per cent to FM 7bn.

The best performer was Eurocan, which makes paper board in British Columbia. Its operating profit rose by 30 per cent while turnover increased by 6 per cent to FM 460m

In 1985 it showed a loss of FM 37m before appropriations and tax but last year it was "well in the black."

The parent company reports a turnover of FM 5.7bn – virtually the same as 1985.

# Compagnie Bancaire boosted by tax cut

BY GEORGE GRAHAM IN PARIS

COMPAGNIE Bancaire, the French financial services group, raised consolidated profits last year by 18 per cent to FFr 1.25bn ($205.6m).

Profits for the Compagnie Bancaire parent company, in which the newly-privatised Paribas investment bank controls a 45 per cent stake, rose 14 per cent to FFr 670m, or FFr 57 a share.

Mr Andre Levy-Lang, the group's chairman, warned that part of the increase in earnings, as for other French companies, was due to the reduction in the rate of corporate taxation from 50 per cent to 45 per cent.

"Other things being equal, this reduction in taxes should increase the net profits of the companies concerned by 10 per cent," Mr Levy-Lang said.

The results continued to demonstrate that the group was making significant progress, however, because they were achieved against the background of low inflation and the fiercest competition seen for 15 years from the traditional French banks in lending to small companies and to the personal sector which provides 85 per cent of Compagnie Bancaire's earnings.

The results were affected by provisions to cover the group's withdrawal from ship and aircraft financing, carried out by its subsidiary, Locabail International Finance. The impact on Compagnie Bancaire's consolidated earnings was FFr 27m, or FFr 2.30 a share.

The group is issuing one bonus share for every five held and maintaining its dividend at FFr 10

# INTERNATIONAL COMPANIES and FINANCE

## Elders rights to raise A$860m

BY CHRIS SHERWELL IN SYDNEY

ELDERS IXL, the Australian brewing, pastoral and resources giant which took over Courage Breweries in Britain last year, yesterday reported record interim profits and announced a A$860m (US$571.6m) rights issue as the latest stage in a major capital raising to refinance its debt and fund new acquisitions.

The fast-expanding group's after-tax profit of A$148.7m for the six months to December was more than 2½ times the A$57.3m for the same period in 1985-86.

Elders unveiled a one-for-three rights issue at A$4.50 per share, underwritten and renounceable, which is believed to be Australia's largest ever. The move follows the raising of US$850m in the Euromarket to pay for the Courage acquisition.

In addition the group announced a one-for-seven scrip issue on the capital increased by the rights issue. The directors cited the company's "continued excellent performance."

Turnover rose 23 per cent from A$3.84bn to $4.73bn. Improvements appeared to have been recorded across all sectors.

Some of the most notable advances came in the form of equity-accounted profits from associated companies. Net of dividends but before interest charges, these increased from A$8.4m to A$48m. Major contributions came from investments in Broken Hill Proprietary, Elders Resources, Goodman Fielder, and SA Brewing.

On the A$3.3bn takeover of the Courage brewery and pub chain, the group said its transition into Elders had been "smooth." The conversion of 900 managed pubs into tenancies would contribute added profit, while the planned refinancing of Courage property interests would be in place by the end of this financial year.

At home, the Carlton brewing group has maintained Fosters as Australia's top selling beer, while Carlton draught and Crown lager were outselling their competitors. Later this year, the group will brew and market Guinness beer under licence.

Profit contributions from Elders' restructured international operations, particularly the grain and meat divisions, were said to have exceeded both the previous year and budget. Both the pastoral group and the finance group also reported advances.

The directors announced an interim dividend of nine Australian cents per share on capital increased by a one-for-three bonus issue in December 1986. This represented an increase of 20 per cent on last year's interim dividend.

But on the Australian stock exchanges, Elders shares finished yesterday at A$5, down on last Friday's close of A$5.26.

## Western Mining ahead at six months

By Stefan Wagstyl

WESTERN MINING, the Australian group which has survived a downturn in the nickel industry by cutting costs and output and expanding gold production, yesterday reported an 8.8 per cent increase in interim net earnings to A$27.41m (US$18.22m).

The company said the improvement was due mainly to higher gold output and prices and lower nickel production costs.

In the 28 weeks to the end of December, sales totalled A$290m, against A$301.7m. The interim dividend is unchanged at 4 cents.

The group said earnings were improved by a 30.5 per cent rise in the average Australian dollar gold price and an increase in group gold sales from 165,002 oz to 169,767 oz.

Operating costs in nickel fell by 5.4 per cent a tonne but nickel sales declined 8 per cent to 20,681 tonnes and prices fell by 6.9 per cent. There was also a A$8.2m provision for losses on nickel stocks.

The equity-accounted share of profits from associates increased to A$20.4m from A$7.1m, due to a 42.5 per cent rise in profits at Alcoa of Australia and lower exploration spending.

Western said the results in the second half depended on metal prices and changes in the international value of the Australian dollar.

At Kambalda, centre of the group's nickel and gold operations in Western Australia, gold output is to be increased from 130,000 oz a year now to 200,000 oz in the first half of 1988, said the company.

Central Norseman Gold, an associate of Western, announced interim net profits of A$12.62m, up from A$9.22m, for the same period and a dividend of 30 cents against 20 cents.

## Sumitomo Chemical shows steep decline

By Yoko Shibata in Tokyo

SUMITOMO CHEMICAL of Japan yesterday reported a 58.7 per cent slide in parent company pre-tax profits to Y11.94bn ($77.68m) for 1986, which it blamed on the yen's steep appreciation against the dollar as well as falling domestic prices for its petrochemical products.

The company is to cut its annual dividend by Y2 per share to pay Y3 for the year.

The benefit of a drop in imported naphtha prices failed to offset the adverse effects of falling product prices, which resulted in a 34 per cent fall in operating earnings.

Net profits dropped 39 per cent to Y4.9bn, on turnover of Y514.98bn, down 21.8 per cent. Sumitomo earned Y45bn on the sales of securities and fixed assets, in order to cover a Y46bn loss from the liquidation late last year of Sumitomo Aluminium Smelting, a subsidiary.

Consolidated pre-tax profits which will be unveiled in a few weeks are expected to register a 20 per cent gain, reflecting an earnings improvement at Sumitomo Pharmaceutical and the reduction of start-up losses for its Singapore petrochemical complex.

For the current year, the parent projects sales at Y470bn, down by 8.7 per cent. However, it expects almost doubled pre-tax profits of Y23bn through rises in dollar-denominated prices. It hopes to restore the dividend of Y5.

## Interim surge at Pacific Dunlop

BY OUR SYDNEY CORRESPONDENT

PACIFIC DUNLOP, the large Australian industrial company, yesterday reported a sharp rise in sales and profits for the six months to December.

The group showed sales of A$1.34bn (US$890.7m), a rise of 12.4 per cent. Trading profits increased 25.6 per cent to A$68.22m, an earnings rate of 15.3 cents per share compared to 13.5 cents previously.

Significantly, the contributions from foreign operations have expanded greatly. Overseas earnings were up 86 per cent to A$24.2m, representing well over one-third of total profits. A quarter of all sales came from abroad.

The group, whose diverse interests cover tyres, rubber-based goods, consumer products, batteries and electrical products, is due to list its shares on the Tokyo Stock Exchange on February 25. The shares were listed in London at the end of last year.

According to a statement from the group yesterday, one of the major growth areas has been medical examination gloves, where its subsidiary, Ansell International, is the world's largest producer. Ansell is also a major condom maker.

Pacific Dunlop intends to treble the production capacity of its Apair industrial glove business in the UK, and to invest A$35m on additional facilities this year, including new equipment for operations in Malaysia and Thailand.

In its tyre operations, the group is currently in the process of implementing the merger of its businesses with those of Goodyear International in Australia, New Zealand and Papua New Guinea.

Directors said they would declare only one dividend payment this year, to allow for a full assessment of Australia's forthcoming dividend imputation legislation. The payment will be made in August.

On the stock exchanges, Pacific Dunlop shares closed stronger at A$4.90, having closed at A$4.72 on Friday.

## TNT lifts first-half profits 42%

BY OUR SYDNEY CORRESPONDENT

TNT, the Australian transport group with operations across the world, has recorded a sharp 42 per cent increase in profits on an 8.3 per cent rise in turnover for the six months to December.

Figures released yesterday showed a group net operating profit of A$78.65m (US$52.28m) compared with A$55.5m in the same period of 1985-86, on turnover which increased to A$1.54bn.

The profit figure included equity accounted results from associates including Ansett Transport Industries and McIlwraith McEacharn. The revenue figure including TNT's share from its associates was A$2.05bn.

The group reported "excellent" performances from UK land-based operations, and from Canada and Brazil, but a static revenue in Australia and "extremely difficult" trading conditions in New Zealand.

Results from Australian and North Atlantic shipping operations were worse than in the previous year. But Ansett Transport Industries, operating Australia's privately-owned domestic commercial airline made a strong contribution.

In a clear reference to News International's Wapping dispute in Britain, in which TNT was involved as distributor, the group says prospects for TNT Newsfast, its publications distribution division, "will be even greater now that the prolonged industrial action taken against the division's major client has terminated."

Extraordinary losses amounted to A$17.56m, up from A$16.63m. The directors said the main factor behind the latest charge was amortisation of unrealised currency losses.

Profit for the full year was forecast to be ahead of 1985-86. TNT share prices closed on the stock exchanges at A$4.17, having finished on Friday at A$4.15.

## Pancontinental share placing

PANCONTINENTAL Mining of Australia has placed 14.39m shares at A$3.20 with institutions to raise A$46.05m (US$30.61m), Reuter reports from Brisbane.

The funds will be used for working capital, to develop a number of gold, base metal, tantalum and magnesite projects and to extended strategic investments including North American gas and oil.

## Good start at Pioneer Electronic

By Our Tokyo Staff

PIONEER ELECTRONIC, the Japanese audio products maker, got off to a better start in its current financial year, with consolidated net profits in the October to December quarter advancing by 11.6 per cent to Y1.19bn ($7.7m).

Turnover of Y98.64bn was up 4.7 per cent from a year ago, despite the yen's steep appreciation during the period. Net profits per share improved from Y7.76 to Y8.66.

The rise in the yen is estimated to have cut Pioneer's overseas sales by Y7.5bn.

The earnings recovery was achieved in part through lower inventory losses. The group reduced stocks to Y51.4bn at the end of December from Y66.4bn a year earlier to save Y340m in interest payments.

Sales of small stereo systems, compact disc players and other audio products showed steady growth in the first quarter. The ratio of overseas sales to the total for the period was 55 per cent against 56 per cent a year earlier.

## Strong recovery for Haggie

BY JIM JONES IN JOHANNESBURG

HAGGIE, THE South African steel rope, mining equipment and machine tools manufacturer, recovered from strikes which affected its first-half performance and has reported 18 per cent turnover and profit increases for 1986.

Sales rose to R707m ($337.6m) from R598m and the pre-tax profit was R93.2m against R79.0m.

Net earnings rose to 237 cents a share from 202 cents and the year's dividend has been lifted to 95 cents from 85 cents. Haggie is jointly controlled by Anglo American and Gencor, South Africa's two largest mining groups which are also its principal customers.

● Northern Engineering Industries Africa (NEIA), the South African mechanical, diesel and electrical engineer, was affected by slack orders in 1986 but held up profits by concentrating on improving asset management.

Turnover increased to R327m from R294.7m and pre-tax profits were R32.4m against R31.1m. Net earnings rose to 391.9 cents a share from 387.9 cents and the dividend has been lifted to 160 cents from 145 cents.

● Metal Closures South Africa, the 77 per cent subsidiary of Metal Closures Group of the UK, increased production and sales in 1986, but remained affected by tight margins.

Turnover increased to R73m from R58.4m and the pre-tax profit rose to R10.7m from R9.1m.

● Highveld Steel and Vanadium, the steel and vanadium pentoxide maker, gained from increased domestic steel sales in the half-year to December. Turnover increased to R816m from R662m and pre-tax profits more than doubled to R97.9m from R40.5m.

Net earnings per share increased to 85 cents from 58 cents and the dividend has been raised to 30 cents from 24 cents.

## Mitsui pulls out of US lading

MITSUI AND COMPANY, the Japanese trading house, has withdrawn from its "grain major" distribution operations in the US by selling its shipping facilities near New Orleans, Louisiana, Kyodo reports from Tokyo.

The group said it had sold its grain elevator, with an annual lading capacity of 3m tonnes, to Louis Dreyfus of the US.

Our New York Staff report on the ambiguous trends among the latest batch of company results

# A confusing barometer of US corporate health

AS A BAROMETER of US economic health, corporate profits have rarely given a more ambiguous or confusing reading. With the 1986 preliminary results now in from most of large US corporations, there is still disagreement among economists about the final aggregate profits figure for the economy as a whole. However, estimates range around a modest average increase of 1 to 4 per cent.

Looking at the major companies in the Standard & Poors 500 index, earnings developments are likely to have been even poorer.

On the basis of the results announced so far, Shearson Lehman Brothers, for example, has estimated a 3 per cent per cent decline in earnings per share between 1985 and 1986. This compares with hopes of a 4 per cent earning improvement revealed in a survey of institutional analysts conducted just before Christmas by brokers Lynch Jones & Ryan.

However, as indicated by the continuing bull stampede on Wall Street, nobody seems too distressed by the corporate sector's pedestrian results.

There have been two particular reasons for the market's apparent indifference to disappointing profits. First, tax reform has made the underlying meaning of corporate results harder to disentangle, especially in the last quarter, than at any time in living memory.

While there has been general agreement on which industries would benefit from tax reform and which would suffer, the effects have been much magnified in the last quarter of 1986. This was when the retrospective elimination of investment tax credits was concentrated, hitting the profits of capital intensive industries such as airlines, chemical companies and motor manufacturers.

Secondly, there have been massive one-time write-offs connected with corporate restructuring programmes. Several of the biggest US companies – AT&T, General Motors and USX – have taken charges of over $1bn, ranging all the way up to the record write-off of $3.2bn announced by AT&T.

The stock market has become so accustomed to huge restructurings and consolidations that billion-dollar charges have actually become quite popular with the investors on Wall Street.

They get the bad news over in one fell swoop. They reduce the capital base from which analysts calculate their return on equity figures. And, by indicating the magnitude of their charges a month or so before their final figures, as most companies have done in the past year, managements can prepare investors for the worst.

When detailed earnings figures are actually announced, Wall Street frequently reacts with relief.

In some cases, the process of softening up Wall Street did not work out. On IBM, analysts refused to believe things could be as bad as John Akers, chairman, right, suggested. When its profits fell 48 per cent the bears laid in, justifying themselves also by the 98 per cent profits jump unveiled by Kenneth Olsen, left, chairman of IBM's main rival Digital Equipment.

In some cases, of course, the process of softening up Wall Street did not quite work out. In the case of IBM, last year's most notable under-performer, analysts simply refused to believe that things could be quite as bad as the chairman, Mr John Akers, had repeatedly suggested.

When IBM finally announced a 48 per cent decline in quarterly net profits, the bears laid into its shares with a vengeance – justifying themselves not only by the company's own lacklustre performance but also by the 98 per cent jump in profits unveiled by IBM's main competitor in the computer market, Digital Equipment.

However, as the dust has settled after such temporary stock market flurries, analysts have concentrated on the underlying macro-economic trends revealed by last year's corporate earnings. The most important of these has been the marked shift in sectoral leadership resulting from the decline in the dollar, the see-sawing movement of oil prices and the raging performance of the stock market itself.

These are best illustrated by the experience of three stockmarket sectors – the "weak dollar stocks", such as chemicals forest products and general manufacturers, the oil companies and the brokerage sector.

● The US oil industry finished 1986 in a somewhat stronger position than might have been expected, given the precipitous decline in the prices of its staple products.

Several companies took substantial write-offs, yet only one of the top 12 oil companies – Standart Oil – reported a loss last year and almost all held their dividends. The exceptions were Phillips and Unocal, two of the smaller and more heavily indebted companies.

The net income of the top 12 oil companies fell by 23 per cent to $11.1bn in 1986, while revenues fell by a quarter, or around $100bn, to $293bn.

The drop in profits would have been considerably bigger had it not been for capital spending cuts. A sample of 10 leading US oil companies cut their 1986 capital spending by 31 per cent to $25.5bn.

Shell Oil notes that domestic crude oil prices averaged $13.20 a barrel in 1986 compared with $24.55 in 1985. In addition to the 46 per cent decline in average oil prices, natural gas prices fell by 23 per cent last year.

The drop in prices had a dramatic effect on the oil companies' upstream earnings and was only partly cushioned by the decline in the dollar and an improvement in earnings from the groups' sprawling refining and marketing operations.

Exxon's US exploration and production earnings fell from $2.1bn in 1985 to $700,000 last year, while Mobil and Chevron lost money on their US upstream operations in 1986.

For much of the year the drop in oil prices was offset by improved refining and marketing sales margins, as petroleum product prices did not fall as rapidly as crude oil prices.

Exxon's US downstream operations, for example, more than doubled their earnings last year, while its foreign refining and marketing operations boosted their contribution from $643m to $1.5bn.

However, by the fourth quarter the increased sales margins had largely disappeared and Chevron, the fourth biggest US oil company, was forced to post its first quarterly loss since 1933.

Oil industry leaders believe the worst is over and some companies, such as Amoco and Shell Oil, are planning to increase capital spending in the current year. Yet the outlook for oil company profits in the current year remains hazy.

● The adjustment in international exchange rates, which has seen the dollar fall about 40 per cent from its peak in 1985, appears to be working through to earnings in industries with large exports or which are sensitive to import competition.

The benefits occurred both in a real and an accounting sense. Overseas sales and profits at such big exporters as the drug companies or the tobacco industry were helped by a cost base in weaker dollars. At home, more expensive foreign imports allowed domestic producers, such as paper-makers or chemical companies, to rebuild margins and market share.

At the same time, the translation of overseas earnings into dollars was flattered for all exporters by stronger overseas currencies.

# Arbed warns of lower trend

By William Dawkins in Brussels

ARBED, the Luxembourg-based iron and steel producer, yesterday warned that profits and sales for 1986 would be slightly down on the previous year's levels.

Unaudited figures show a decline in net profits from LFr 1.12bn ($29.6m) to LFr 900m for the 12 months to December, on turnover down 11 per cent from LFr 65bn to between LFr 57bn and LFr 58bn. Cash flow slipped over the same period from LFr 6.4bn to FLr 5.2bn. Full official results are due out at the end of April.

The performance represents a setback after a year in which Arbed's profits nearly doubled, thanks to the cost benefits of a long restructuring campaign and a mild recovery in demand.

Prices of all products were hit last year by a combination of the dollar's weakness – which made Arbed less competitive in foreign markets – and growing competition from low-cost producers in South America and the Far East.

The removal of EEC quotas on some products futher softened prices, a spokesman said.

Production also fell, partly because of a cyclical downturn in demand.

# Wall Street sets record with surge in earnings

BULL MARKETS, a flood of underwriting and a tidal wave of mergers and acquisitions pushed pre-tax profits of Wall Street's securities firms to a record $5.7bn last year, a 40 per cent surge from the previous best achieved only 12 months before. The industry's capital leapt to $35bn from $20bn a year earlier, according to estimates from the Securities Industry Association.

Yet the spoils were far from evenly divided. For each firm reporting record profits, there was another suffering a downturn or even outright loss. Some boosted their capital with retained earnings, others had to take hefty write-offs.

The differences in performances did not hinge entirely on product mix. Merrill Lynch, for example, doubled its net profits to $454m for the year even though it is strongly placed in the retail sector where competition is intense from new players such as discount brokers. Salomon, the biggest trading machine on the street, suffered a 40 per cent fall in net profits in the fourth quarter and 7 per cent in the year to $516m.

The bigger influence on profits appeared to be managements' ability to handle the huge costs and strains of exceptionally rapid growth. Salomon, for example, attributed its poor fourth-quarter performance to its big expansion in Tokyo and London to meet the challenge of globalisation of securities markets. It does not expect to profit fully from this investment for some time.

Morgan Stanley, on the other hand, said its 90 per cent rise in net profits for the year to $201m could be traced in part to its early, selective and controlled development abroad. At home, Merrill Lynch benefited from streamlining its operations.

But the results of the large firms failed to answer a crucial question. Had any of them been caught up in the estimated $2bn of losses suffered among arbitrageurs of takeover stocks in the wake of the Boesky insider trading scandal?

While big firms might have buried the skeletons, a small firm such as L. Rothschild, Unterberg and Towbin had little option but to report that its $12.4m pre-tax loss in the fourth quarter was due in part to arbitrage losses.

The industry's profits should hold up reasonably well this year as long as the bull markets continue, although merger and acquisitions departments are likely to be quieter than last year, partly because of the harsh spotlight on insider trading. But a longer term question looms like an iceberg. How will managements handle their huge, costly and fast-expanded operations when the bears return to Wall Street?

**Tim Dickson** reports from Brussels on a scheme to boost stock market investment

# Belgians rush to cash in on tax shelter

HUNDREDS OF thousands of Belgians have cashed in on a controversial tax shelter scheme designed to boost stock market investment.

The public's enthusiastic response—clear from a late rush by applicants to meet last Friday's effective deadline—should have a healthy spin-off for the country's fund management industry and could have a considerable impact on the Brussels bourse over the coming months.

No one knows precisely—or for that matter even roughly—how much money is at stake. But informed guesstimates suggest that anything up to BFr 15bn ($396m) has been pulled in over the past few weeks of which at least BFr5bn would be used directly to buy Belgian shares.

The so-called *epargne pension* (or retirement plan)—finally unveiled in November after months of speculation—is intended to help individuals provide for their old age and to direct new private capital into Belgian companies. The high projected cost of state pensions at the beginning of the 21st century was one factor which the politicians took into account when drawing up their proposal but some observers feel Mr Mark Eyskens, the Finance Minister, would have been better advised to cut personal taxes than to make more complex an already highly complicated fiscal system. Belgium's taxes are among the highest in Europe with 60 per cent a typical marginal rate for middle ranking executives.

The timing of the new measure was largely inspired by the need to replace the earlier "Loi Monory" or De Clercq Law as it is sometimes called after the then Belgian Finance Minister — which from 1982 allowed equity investors to deduct from their taxable income up to BFr 40,000 per annum provided the shares were held for at least five years.

The first plans mature this year and a lot of money is at stake—according to Mr Patrick Verelst at the economic and statistical division of Kredietbank the BFr 10.4bn subscribed during 1982 could, thanks to the buoyant performance of the stock exchange, be worth as much as BFr 30bn today.

## Aggressive campaign

The new retirement plan is thus widely seen as a new "shelter" for these funds. Although limited to BFr 20,000 per person per year and untouchable without penalty till age 65, the scheme has several key attractions for the participant.

A minimum of only 30 per cent of the proceeds, for example, has to be invested in Belgian equities, leaving the balance for possibly more exciting foreign shares (though there are limits) and the relatively safe alternative of corporate bonds. Dividends, moreover, can be rolled up within the fund free of withholding tax which means a gross and net yield from the much favoured utilities sector of close to 7 per cent at present.

The advantages of the retirement scheme have been rammed down Belgian throats in an aggressive newspaper and TV advertising campaign over the last couple of months. Promoters were not slow to point out that Saturday 14 (effectively last Friday) was the last date for investors who wished to shelter a part of their 1986 income. (Those who missed the boat have until December 30 to start a plan for 1987.)

The beneficiaries have been the big Belgian insurance companies, such as Royale Belge, which under the rules can offer life policy-linked savings schemes and which are expected to take about a third of the market, and specially created mutual funds marketed by the commercial banks and other financial institutions. Individuals are also allowed to manage their own investments via specially administered accounts but this option has not proved popular because the costs are high.

The four major retirement funds are: Astro; ES Pension Fund (essentially a group of savings banks with the investment management provided by stockbrokers Petabroeck van Campenhout); Privest (sponsors include Kredietbank); and Star Fund (Banque Brussels Lambert, Credit Communal and Banque Paribas). A total of 17 management companies, including one Dutch group, are understood to be seeking approval from the Banking Commission.

## Analysts guessing

In the absence of any concrete figures — the Banking Commission will provide them eventually — analysts were last week busy guessing the scale of the response. Krediet bank's Mr Verelst estimates that around 650,000 individual investors may have subscribed BFr 13bn.

Mr Ettenne van Campenhout, of Peterbroeck van Campenhout, believes that at least 600,000 subscribers have put up a minimum of BFr 12bn. His firm has not been alone in advising clients to make their 1986 and 1987 subscriptions jointly but it also believes that the BFr 20,000 ceiling could be doubled by the government some time this year.

BBL's Mr De Weeck is suggesting that BFr 15bn could have been pulled in "which means BFr 10bn for the stock market over the course of the year."

Those charting the course of a bourse traditionally buffeted by occasional bouts of foreign buying (and selling) and a regular diet of US economic news must also take into account the outflow of money from the original "Monory" funds.

The consensus seems to be that the new money will go into the market before Monory investors—many of whom rushed in during November and December 1982—are able or willing to cash in their chips. Kredietbank feels that over the year as a whole the flows will cancel each other; van Campenhout is "quite bullish" in the short term.

Shrewd Monory investors might in fact be better advised to take their money out immediately, pay the relatively small penalty for early encashment that would be involved, and thus insure themselves against an unforeseen setback in the stock market. At the moment there are no signs that large numbers are adopting this course.

# Fixed-rate issues drift lower in thin trading

BY CLARE PEARSON

THE EUROBOND market traded thinly yesterday in the absence of any new impetus as New York markets were closed for President's Day. Prices of Eurodollar fixed-rate bonds drifted lower by between ⅛ and ¼ percentage point.

Eurosterling prices firmed slightly along with the gilt market, though the primary market continued to be weighed down by last week's heavy volume of issues. Most of the recent tightly-priced issues were trading at levels outside their total fees.

Some dealers said there was reasonable demand for sovereign paper, however, providing a more optimistic background for Warburg Securities' £100m 10-year deal for Australia. This 10¼ per cent issue, which was not being swapped, was priced at 100⅞ to provide a yield approximately equivalent to those of comparable gilts. It was quoted at a bid price of 99, compared with 2 percentage point fees.

Meanwhile, Morgan Guaranty launched an issue for Girozentrale, the Austrian bank, in the Canadian dollar market, which has seen few new issues lately. The C$75m 9 per cent seven-year issue, priced at 101¼, is mainly aimed at European retail investors.

The Canadian domestic bond market remained weak yesterday, with prices easing by between ¼ and ½ point. This provided an unhelpful background for Girozentrale's issue, and it was quoted at around 99⅞ bid, outside its 1⅞ points total fees.

One $30m issue surfaced in the Eurodollar sector: a five-year 7⅛ per cent issue for Marubeni International Finance, a subsidiary of the Japanese trading company.

Nikko Securities said the deal was aimed at specific pockets of demand, and would not trade widely. It was priced at 101⅞.

Last Friday's Eurodollar fixed-rate bonds for Norges Kommunalbank and the Woolwich Building Society were both quoted at levels outside their total fees.

Elsewhere, Shearson Lehman Brothers International announced a Y15bn five-year bond for Credit Lyonnais, with the bank itself as co-lead manager. The 5 per cent issue, priced at 102½, looked slightly tightly priced, although it was quoted at prices around its total fees.

In the D-Mark market trading was subdued, although dealers said that some selling was emerging. Prices of domestic

**INTERNATIONAL BONDS**

bonds dropped by up to 0.70 points, while those of Euro-D-Mark bonds were mixed. The older issues ended the day flat but some of the newer issues were about ⅛ points down.

The Province of Quebec's DM 300m 10-year issue traded at a discount of around 3¼ points to issue price on the bid side, about ¼ point down from Friday's level. The 15-year issue for Austria traded at a bid price 4¼ points below its issue price, also ¼ point lower, while both the six and the 10-year issues dropped ⅛ point. They were quoted at bid prices representing discounts of 1⅞ and 2⅞ points respectively.

In Switzerland, prices continued to move within a narrow range. Power Financial's SFr 120m 5 per cent bond gained ¼ point to trade at 99¼, compared with a 100¼ issue price.

Credit Suisse led a SFr 200m 10-year 4⅛ per cent bond for European Investment Bank priced at par. The deal is callable after five years at 101½ and then at premiums declining by ½ percentage point per year.

Credit Suisse also announced a three-tranche note issue for City of Oslo. The deal comprises a SFr 25m 4¼ per cent three-year issue, a SFr 25m 4½ per cent four-year issue, and a SFr 28m 4⅞ per cent five-year issue. They are priced at 100¼, 100, and 100¼ respectively.

The four-year and five-year tranches are both callable after three years at 101, but the five-year tranche is also callable after four years at 100½.

Banca della Svizzera Italiana priced a recent SFr 35m five-year equity warrants bond for Eidensha, the Japanese television and radio shop chain. The coupon was cut by ⅛ point to 1⅞ per cent and the exercise price fixed at Y1,510 per share.

Amro Bank led a Fl 150m five-year private placement for Philips, the Dutch electricals group. The 5⅞ per cent issue was priced at 99⅞.

## Advance in earnings at Metro

BY JIM JONES IN JOHANNESBURG

METRO, the Kirsh Group's general goods cash-and-carry wholesale offshoot, increased its market share in the 26 weeks to December 27 1986 and lifted turnover by 23 per cent compared with the corresponding period of 1985.

Turnover was R770m against R623m and pre-tax profit R11.0m against R8.6m. Turnover totalled R1.28bn in the 52 weeks to June 28 1986 and pre-tax profit was R24.4m.

An interim dividend of 6 cents a share has been declared from interim earnings of 12.4 cents. The previous year's interim earnings were 9.5 cents, total earnings were 26.3 cents and a dividend was not declared.

## Cashbuild aims to beat forecast

By Our Johannesburg Correspondent

CASHBUILD, the South African cash-and-carry building supplies wholesaler, aims to beat its prospectus earnings forecast, according to Mr Mervyn King, the chairman.

Turnover increased to R60.6m ($29m) in the 26 weeks to December 27 from R43.7m in the corresponding 1985 period, and the interim pre-tax profit rose to R2.68m from R1.88m.

Cashbuild was listed on the Johannesburg Stock Exchange last year as part of the financial restructuring of the troubled Kirsh group. Its prospectus forecast earnings of 10.8 cents a share for the current year. Interim earnings were 5.8 cents. The company does not pay dividends.

# Turkish funds shift to equities

TURKISH SHARE prices have risen sharply this year, as investors have rediscovered Istanbul's revived stock exchange and falling domestic interest rates have prompted a switch out of Government bonds and bank deposits, Reuter reports from Istanbul.

Brokers say the demand for shares has far outstripped supply, with the newly-introduced Istanbul Stock Exchange index rising 37.4 per cent in the first five weeks of 1987.

"There is a shortage of shares at the exchange and the demand is increasing," says Mr Tuncay Artun, manager of Deger Menkul Kiymetler, a local broker.

The Istanbul Stock Exchange was relaunched at the beginning of 1986 as part of a drive by Mr Turgut Ozal, the Prime Minister, to implement market-oriented economic policies.

Since January 1987, an index of 40 leading stocks has been calculated for the first time in 60 years. The weekly index, base January 19, 1986=100, started this year at 176.58. By February 6, it had climbed to 242.66 with all 40 shares in the index showing rises.

Brokers see three main reasons for the surge: acute shortage of supply, growing speculation that the annual March dividend payments could be sharply higher than last year, and the recent steady fall in Turkish interest rates, which has reduced the appeal of traditional investment outlets, such as commercial bank deposit accounts and Government bonds.

Since the start of 1987, the central bank has cut six-month deposit rates to 38 per cent, from 41 per cent. Returns on Government bonds, sold by tender to banks and brokerage houses, have also been declining and are now around 39 per cent on six-month paper.

At the end of its first full year of operation since relaunch, the stock exchange reported that the average return on the 40 leading listed shares—taking into account price gains and dividends—was 84 per cent.

Other factors suggest a need for caution. Turnover is still thin, though rising. For the whole of January, 284,748 shares were traded, while in the first week of February the figure was 121,623.

In addition, companies are expected to start issuing short-term commercial paper in Turkey soon. This could draw off some funds being channelled into traditional stocks.

Regulations passed late last year allow the issue of paper through banks and brokerage houses. The first offering is not expected until companies announce their 1986 results in a few months.

## Fireman's Fund facility oversubscribed

By Alexander Nicoll, Euromarkets Editor

A MULTI-OPTION facility syndicated in the Euromarkets for Fireman's Fund Mortgage Corporation, a mortgage banking subsidiary of Fireman's Fund Insurance of the US, has been increased from $300m to $450m after being substantially oversubscribed.

The response to the deal, led by Manufacturers Hanover, underlines the current appetite in a quiet Eurocredit market for corporate deals. The five-year facility has a 10 basis point facility fee and includes a revolving credit at 10 basis points over London interbank offered rates.

Separately, Telex Corp, a Tulsa, Oklahoma-based communications concern, mandated Continental Illinois Ltd to arrange a $25m revolving credit facility, to be accompanied by a $50m Euro-commercial paper programme.

The five-year facility, to be syndicated on a club basis, will carry a margin over Libor of 25 basis points and a facility fee of 12.5 basis points, with a front-end fee of 15 basis points.

## Placing by Hafnia Invest

By Our Euromarkets Editor

A 3.85 PER CENT block of shares in Hafnia Invest, the holding company for the Danish financial services group, is being offered in the Euromarkets in a DKr 113m placing.

Morgan Stanley International is leading the syndication group, which will have no underwriters beyond three co-managers.

The limited voting "B" shares, which are being sold by several financial institutions, will be priced by February 20 and are expected to be set at about DKr 470 for each DKr 100 nominal amount. Fees total 4.5 per cent.

## Barclays Bank of Kenya lifts profits by 40%

By Andrew Buckoke in Nairobi

BARCLAYS BANK of Kenya has announced pre-tax profits of Kenya shillings 270m ($17.5m) for 1986, a 40 per cent increase which was attributed by Mr J. N. Clark, the managing director, to a 38 per cent increase in deposits to 6,420m shillings.

This was attributed mainly to improvements in commodity prices and the tourist industry.

Net profits of 136m shillings, up 46 per cent, allow the retention of 76m shillings for reinvestment, and the payment of dividends totalling 59.5m shillings at 3.50 shillings a share. Dividends of 18m shillings will go to the 40,000 Kenyans successful in the public issue of 30 per cent of the company's stock in May 1986, at 16 shillings a share. The parent company holds the remaining 70 per cent. The share price is now about 31 shillings, valuing the company at 372m shillings.

Several local banks and financial institutions closed down in August 1986, and in previous years, contributing to Barclays success in attracting new customers. Some 56,000 new accounts were opened in 1986, bringing a total of nearly half a million. The bank now holds over 30 per cent of the country's savings market.



## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.
Closing prices on February 16

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Abbey National 7⅛ 92 | 200 | 98⅝ | 98⅞ | — | — | 7.87 |
| A/S Eksportfinans 7⅞ 93 | 100 | 99¼ | 99¾ | −0⅛ | −0⅛ | 7.71 |
| Australia Com. 11 95 | 200 | 116¼ | 116¾ | +0⅛ | 0 | 8.18 |
| Australia Com. 11¼ 00 | 100 | 116½ | 117⅛ | +0⅛ | +0⅛ | 9.01 |
| BP Capital 9⅛ 94 | 100 | 107¼ | 107¾ | +1¼ | +0⅛ | 7.78 |
| British Telecom 7⅝ 96 | 250 | 97¼ | 97⅝ | −0⅛ | −0⅛ | 8.02 |
| Campbell Soup 10½ 95 | 100 | 112⅞ | 113⅜ | −0⅛ | −0⅛ | 8.28 |
| Canada 9 96 | 1000 | 107½ | 108 | −0⅛ | −0⅛ | 7.77 |
| Canadian Pac. 10¼ 93 | 100 | †108¼ | 109¼ | −0⅛ | −0⅛ | 8.81 |
| CCCE 7⅛ 91 | 115 | 99⅛ | 99⅝ | 0 | +0⅛ | 7.37 |
| CNCA 7¼ 91 | 150 | 99 | 99½ | −0⅛ | −0⅛ | 7.45 |
| Chicorp 8¼ 93 | 200 | 99¼ | 99¾ | +1 | +1⅛ | 8.34 |
| Credit Lyonnais 9 91 | 200 | 105¼ | 105¾ | 0 | +0⅛ | 7.37 |
| Credit National 9⅛ 93 | 150 | 106¼ | 106¾ | −0⅛ | +0⅛ | 7.73 |
| Credit National 7⅛ 91 | 150 | 99¼ | 99¾ | −0⅛ | −0⅛ | 7.37 |
| Denmark Kingdom 7⅛ 92 | 500 | 97⅞ | 98 | −0⅛ | −0⅛ | 7.71 |
| Denmark Kingdom 8¼ 91 | 300 | 102½ | 103¼ | 0 | 0 | 7.47 |
| EEC 7 91 | 100 | 99¼ | 99¾ | −0⅛ | −0⅛ | 7.24 |
| EEC 8¼ 96 | 100 | 103⅛ | 103⅝ | −0⅛ | −0⅛ | 7.72 |
| EEC 8⅛ 91 | 150 | 105 | 105¼ | −0⅛ | −0⅛ | 7.09 |
| EIB 7⅝ 93 A | 100 | 99¼ | 100¼ | −0⅛ | −0⅛ | 7.62 |
| EIB 7⅝ 93 B | 100 | 99¼ | 100¼ | −0⅛ | −0¼ | 7.68 |
| Eurofima 7¼ 91 | 100 | 101½ | 102 | −0⅛ | −0⅛ | 7.26 |
| Finland 7⅞ 97 | 100 | 99¼ | 99¾ | −0⅛ | −0⅛ | 7.95 |
| Finland 7⅛ 93 | 200 | 98⅝ | 99⅛ | −0⅛ | −0⅛ | 7.46 |
| Ford Motor Cred. 10½ 91 | 150 | 110 | 110½ | −0⅛ | −0⅛ | 7.80 |
| Ford Motor Cred. 11⅛ 90 | 100 | 110⅛ | 110⅝ | −0⅛ | −0⅛ | 7.39 |
| Gen. Elec. Cred. 10¼ 00 | 200 | †106¼ | 106¾ | −0⅛ | 0 | 9.36 |
| GMAC 10¼ 89 | 200 | 106¼ | 106¾ | −0⅛ | −0⅛ | 7.65 |
| GMAC 8½ 93 | 200 | 103 | 103½ | −0⅛ | −0⅛ | 7.82 |
| IADB 9⅞ 95 | 200 | 113¼ | 113¾ | +0⅛ | +0⅛ | 7.71 |
| Liberty Mutual 8½ 96 | 150 | 102⅜ | 102⅞ | −0⅛ | −0⅛ | 8.08 |
| LTCB of Japan 8 91 | 100 | 102⅛ | 102⅝ | +0⅛ | 0 | 7.31 |
| Merrill Lynch 8¼ 91 | 100 | 103½ | 104⅛ | −0⅛ | −0⅛ | 7.77 |
| Mercds.-Benz Cred. 7½ 93 | 100 | 100⅞ | 101⅜ | +0⅛ | +0⅛ | 7.26 |
| Mitsubishi Fin. 7⅞ 93 | 100 | 99¼ | 99¾ | −0⅛ | −0⅛ | 7.99 |
| Mutual America 7⅝ 92 | 100 | 99¾ | 100¼ | −0⅛ | −0⅛ | 7.42 |
| Nisshin Steel 7⅝ 92 | 70 | †100½ | 101 | — | — | 7.44 |
| Norway Kingdom 7¼ 91 | 500 | 99⅞ | 100⅛ | −0⅛ | −0⅛ | 7.20 |
| Pepsico Inc. 7⅜ 93 | 200 | 98⅛ | 98⅝ | −0⅛ | −0⅛ | 7.68 |
| Qantas Airways 10⅜ 95 | 140 | 112¼ | 112¾ | −0⅛ | −0⅛ | 8.22 |
| Queensland Govt. 10¼ 95 | 100 | 111 | 111½ | −0⅛ | −0⅛ | 9.26 |
| Ralston Purina 11¼ 95 | 150 | †115 | 115¼ | −0⅛ | −0⅛ | 9.09 |
| Saab Scania 9½ 91 | 125 | 106 | 106½ | +0⅛ | +0⅛ | 7.63 |
| Saskatchewan 10¼ 92 | 100 | 112⅛ | 112⅝ | −0⅛ | −0⅛ | 7.69 |
| State Bk. S. Aust. 9¼ 93 | 100 | 105⅞ | 106⅜ | −0⅛ | −0⅛ | 7.95 |
| Statoil 10 90 | 170 | 107¼ | 108¼ | −0⅛ | +0⅛ | 7.29 |
| Swed. Exp. Cred. 7¼ 91 | 100 | 99⅛ | 99½ | −0⅛ | −0⅛ | 7.43 |
| Swed. Exp. Cred. 10 92 | 100 | 110¼ | 110¾ | −0⅛ | −0⅛ | 7.90 |
| Sweden 8¼ 96 | 200 | 105½ | 105⅞ | −0½ | −0¼ | 7.91 |
| Sweden 10¼ 92 | 250 | 112¼ | 112¾ | 0 | −0⅛ | 7.49 |
| Sweden Kingdom 10⅞ 90 | 200 | 110¾ | 111¼ | −0¼ | −0⅛ | 6.95 |
| Sweden Kingdom 7 91 | 250 | 98¾ | 99¼ | 0 | −0⅛ | 7.25 |
| Taiyo Finance 7¾ 94 | 100 | 98¼ | 98¾ | −0¼ | −0⅛ | 8.01 |
| Toyota Motor Cred. 8 89 | 100 | 101⅞ | 102⅛ | −0½ | −0⅛ | 6.96 |
| Toyota Mtr. Cred. 7⅛ 92 | 100 | 98⅛ | 98⅝ | −3¼ | −3 | 7.46 |
| Victorian Rep. 11⅛ 92 | 150 | 115⅛ | 115⅝ | −0⅛ | −0¼ | 7.89 |
| World Bank 7 92 | 300 | 99 | 99½ | −0⅛ | −0⅛ | 7.18 |
| World Bank 8½ 16 | 150 | †99⅝ | 100⅛ | −0⅛ | −0⅛ | 8.50 |
| Yasuda Trust Fin. 8½ 93 | 100 | 102½ | 103 | −0½ | −0⅛ | 7.92 |

Average price change on day −0⅛ on week −0¼

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. Bank 8 94 | 200 | 110 | 110¼ | 0 | 0 | 6.29 |
| Austrian Elec. Co. 6½ 95 | 150 | 101¾ | 102¼ | −0¼ | +0¼ | 6.23 |
| BMW 5¼ 96 | 200 | 92½ | 93 | −0⅛ | −10⅞ | 6.33 |
| Daimler Benz Int. 5¾ 01 | 500 | 91⅞ | 92¼ | 0 | −0¼ | 6.60 |
| Dow Chemical 5⅝ 96 | 300 | 93⅞ | 94¼ | −0⅛ | −0¼ | 6.45 |
| Dow Chemical 6¾ 95 | 300 | 102¼ | 103¼ | −0⅛ | −0¼ | 6.32 |
| EIB 5½ 98 | 150 | 93⅝ | 94⅛ | −0⅛ | −0½ | 6.26 |
| EIB 6⅛ 96 | 300 | 99⅜ | 100⅛ | −0¼ | −1¼ | 6.15 |
| EIB 6⅞ 95 | 300 | 103⅜ | 104⅛ | −0⅛ | −0¼ | 6.30 |
| EIB 6 97 | 300 | 101⅝ | 102⅛ | −0⅛ | −4 | 5.73 |
| Emhart Corpn 6¾ 95 | 175 | 101⅛ | 102⅛ | 0 | 0 | 6.47 |
| Eurofima 6¼ 96 | 100 | 100½ | 101¼ | 0 | −0¼ | 6.12 |
| Ex.-Im. Bk. Korea 7⅜ 90 | 100 | 103⅞ | 104¼ | 0 | +0⅛ | 6.27 |
| Finland Republic 7 92 | 200 | 104⅝ | 105½ | 0 | −0½ | 5.80 |
| Hoesch Intl. Fin. 7 95 | 100 | 102½ | 102⅞ | 0 | −0⅞ | 6.61 |
| Hydro Quebec 5½ 96 | 125 | 94½ | 95 | −0⅛ | −0⅛ | 6.26 |
| Hydro Quebec 6 16 | 150 | 85¼ | 85⅞ | −0⅛ | −1¼ | 7.20 |
| IBJ 5⅝ 96 | 200 | 95⅛ | 95⅞ | +0⅛ | −0¼ | 6.28 |
| Ireland 8⅛ 92 | 150 | †108 | 109 | +0¼ | +0¼ | 6.17 |
| I/S Elsam 6¾ 93 | 125 | 101 | 101⅝ | 0 | 0 | 6.51 |
| Julius Baer Bank 2 94 | 150 | 106½ | 107½ | — | — | 0.98 |
| Korea Dev. Bank 6⅝ 93 | 100 | 99¾ | 100¾ | −0⅛ | −¼ | 6.57 |
| Mitsubishi M. 3⅛ 89 WW | 100 | 205½ | 206½ | 0 | 0 | 0.97 |
| Mitsubishi M. 3⅛ 89 XW | 100 | 94½ | 95½ | −0⅛ | −0¼ | 5.05 |
| Renfe 7¼ 95 | 100 | 106¼ | 107¼ | −0¼ | +0½ | 6.45 |
| Soc. Cent. Nuclear 7¼ 95 | 150 | 101⅝ | 102½ | −0⅞ | −0¼ | 6.92 |
| Soc. Cent. Nuclear 8 91 | 100 | 104⅝ | 105½ | 0 | −2¼ | 6.63 |
| Steweag 5½ 96 | 100 | †92¼ | 93¼ | 0 | −0⅛ | 6.49 |
| World Bank 7 95 | 600 | 103⅞ | 104⅜ | −0¼ | −1⅛ | 6.33 |
| World Bank 5¾ 97 | 700 | 97½ | 97⅞ | — | — | −0.47 |
| Yorkshire Intl. 6¼ 01 | 200 | 91⅛ | 92⅛ | 0 | −0¼ | 7.15 |

Average price change on day −0⅛ on week −0⅞

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| African Dev. Bk. 5⅝ 96 | 100 | *†105½ | 105½ | 0 | +2⅛ | 4.88 |
| Amer. Corp. 5¼ 01 | 200 | †91¼ | 92 | 0 | 0 | 6.12 |
| Baker Int. 4⅛ 96 | 200 | †89½ | 90 | −0⅛ | +0⅛ | 5.56 |
| Carlsberg 5 96 | 80 | †104 | 104½ | +1¼ | +1⅛ | 4.44 |
| Chujitsuya 5¾ 94 | 50 | †103 | 103¼ | 0 | +0¼ | 4.86 |
| Deutsche Bk. Fin. 5⅛ 95 | 100 | †107¼ | 107½ | +0½ | 0 | 4.25 |
| Gen. Occidentale 4½ 94 | 80 | †158 | 159 | +3⅞ | +8 | −2.25 |
| Glendale F. S. & L. 5½ 95 | 100 | †103½ | 104¼ | +0½ | +1 | 4.96 |
| Humana 5⅛ 98 | 120 | †97½ | 97¼ | 0 | +0⅛ | 5.42 |
| Industrial Credit 5¾ 96 | 75 | *†100⅞ | 100⅞ | 0 | −1⅛ | 5.66 |
| Japan Dev. Bk. 5⅛ 97 | 100 | *†104¼ | 104⅞ | 0 | +0½ | 4.58 |
| Oberos. Kftwk. 5⅛ 95 | 100 | †103½ | 104 | −0⅛ | −0⅛ | 4.80 |
| Olivetti Intl. 5½ 95 | 100 | †105½ | 105¾ | +0⅛ | +0½ | 4.67 |
| Pepsico 5¼ 95 | 130 | *†104⅞ | 104⅞ | 0 | +0¼ | 4.51 |
| Prov. of Manitoba 4¾ 94 | 200 | †101¾ | 102 | 0 | 0 | 4.46 |
| Ralston Purina 5⅛ 94 | 125 | *†104⅛ | 104⅛ | 0 | +0⅞ | 4.72 |
| Seibu Euro. 0 01 | 100 | †46½ | 46¾ | −0¼ | −0½ | 5.58 |
| Tohoku Elec. Pwr. 4⅞ 96 | 150 | †100 | 100¼ | 0 | 0 | 4.86 |
| USX Corpn. 5¼ 99 | 100 | †95 | 95¼ | −0⅛ | −0½ | 6.36 |
| World Bank 5¼ 94 | 150 | †105½ | 106 | −0⅛ | 0 | 4.85 |

Average price change on day +0⅛ on week +0⅝

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Am. Expr. OS Cr. 5⅞ 91 | 20 | 103 | 103½ | −0⅛ | −0⅛ | 4.98 |
| Denmark 6⅞ 96 | 18 | 106⅞ | 107⅞ | +0⅛ | −0⅛ | 5.37 |
| Denmark, Kingdom 5⅛ 92 | 130 | 100½ | 101 | −0⅛ | −0⅛ | 4.95 |
| GMAC 5⅞ 91 | 60 | 101⅞ | 102⅛ | −0⅞ | −0⅛ | 4.98 |
| Sweden, Kingdom 5⅞ 94 | 50 | 100⅛ | 100⅝ | — | — | 5.28 |
| Sweden, Kingdom 5⅞ 95 | 20 | 102¼ | 102¾ | −0⅛ | −0⅛ | 5.25 |

Average price change on day −0⅛ on week −0⅞

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| AB Electrolux 14½ 90 A$ | 50 | 99 | 100 | −0⅛ | +0¼ | 14.38 |
| Amatil Fin. 14¼ 90 A$ | 40 | 98¼ | 99¼ | −0⅛ | −0¼ | 14.96 |
| Amro Bank 14⅛ 90 A$ | 60 | 99⅞ | 100⅛ | −0⅛ | −0⅛ | 14.27 |
| BRP Fin. 14¼ 92 A$ | 75 | 99¼ | 100¼ | +0⅛ | +0⅛ | 14.35 |
| Colgate-Palm. 14¼ 91 A$ | 75 | 99 | 99⅞ | −0⅛ | −0⅛ | 14.57 |
| GMAC 12⅞ 89 A$ | 40 | 96 | 97 | −0⅛ | +0⅛ | 14.72 |
| McDonald Syst. 14½ 94 A$ | 50 | 100⅛ | 101⅛ | −0⅛ | 0 | 14.24 |
| World Bank 14⅛ 92 A$ | 100 | †99⅞ | 100⅞ | — | — | 14.08 |
| Canadian Pac. 10⅞ 90 C$ | 75 | †107⅞ | 107⅞ | 0 | −1⅛ | 7.85 |
| Chrysler Corpn. 10 91 C$ | 75 | †100⅞ | 101⅛ | 0 | −1⅛ | 8.97 |
| Genstar Fin. 11¼ 95 C$ | 75 | *†100½ | 100½ | 0 | −0¼ | 10.17 |
| GMAC 9¼ 92 C$ | 75 | †101⅛ | 101⅝ | 0 | −1 | 8.89 |
| Royal Trustco 10⅛ 90 C$ | 75 | †105 | 105½ | 0 | −0¼ | 8.67 |
| Sears Acc. 10⅛ 92 C$ | 75 | *†105¼ | 105¼ | 0 | −1⅛ | 9.36 |
| Coca-Cola F. C. 17 90 NS | 75 | †98¼ | 99¼ | −0½ | −2 | 17.57 |
| Denmark 17½ 89 NS | 50 | *†101½ | 101½ | 0 | −0⅛ | 16.54 |
| Unilever Cap. 17½ 89 NS | 50 | †97⅞ | 98¼ | −2¼ | −2 | 18.22 |
| Copenhagen City 9 95 Ecu | 40 | *†101⅞ | 101⅞ | 0 | +0⅛ | 8.66 |
| EIB 7⅛ 91 Ecu | 100 | *†100 | 100 | 0 | +0⅛ | 7.37 |
| EIB 8⅝ 93 Ecu | 100 | *†105⅞ | 105⅞ | 0 | +0⅛ | 7.49 |
| Walt Disney 8¼ 94 Ecu | 62 | *†104 | 104 | 0 | +0¼ | 7.98 |
| Finland 6 91 Fl | 100 | 100 | 100½ | — | — | 5.93 |
| Mort. Bk. Denmark 6 91 Fl | 150 | 98¼ | 99¼ | — | — | 6.24 |
| Thyssen 7¼ 90 Fl | 50 | 103¼ | 103⅝ | 0 | +0⅛ | 6.14 |
| Wessanen 6¼ 90 Fl | 50 | 101½ | 102 | −0⅛ | −0¼ | 6.18 |
| World Bank 5¾ 91 Fl | 100 | 99½ | 100 | — | — | 5.80 |
| Australia Com. 11 92 £ | 40 | †102½ | 103 | +1⅛ | +0⅛ | 10.27 |
| Imp. Chem. Inds. 10 03 £ | 100 | †93¼ | 93¾ | +0⅛ | −0¼ | 10.86 |
| Imp. Chm. Inds. 10¾ 92 £ | 75 | †102⅜ | 102⅞ | +0⅛ | −0¼ | 10.07 |
| Invst. In Inds. Inc. 10 93 £ | 60 | †96⅞ | 97⅛ | +0⅛ | 0 | 10.64 |
| Leeds Bldg. Soc. 10½ 91 £ | 50 | 99⅜ | 99⅞ | +1 | +0¼ | 10.64 |
| McDonalds 10⅞ 90 £ | 40 | †101½ | 101⅞ | −1⅛ | −2⅛ | 10.22 |
| Nationwide BS 10⅛ 93 £ | 75 | 97¼ | 98⅛ | +1⅛ | +1 | 10.57 |
| NSW Treasury 10⅝ 92 £ | 50 | 100⅛ | 100⅝ | +0⅛ | 0 | 10.51 |
| Royal Insce. 10¾ 92 £ | 60 | 101⅛ | 101⅝ | −0⅛ | −0⅞ | 10.38 |
| J. Sainsbury 10⅞ 93 £ | 60 | 101⅛ | 101⅝ | +1⅛ | +1 | 10.54 |
| Trusthouse Forte 11⅛ 90 £ | 50 | †101¼ | 101¾ | −0⅛ | −1⅛ | 10.51 |
| World Bank 11¼ 95 £ | 100 | †104¼ | 104¾ | +0⅛ | −0¼ | 10.39 |
| CoE 8⅞ 95 LFr | 600 | *†105¼ | 105¼ | 0 | 0 | 8.00 |
| EIB 8⅝ 93 LFr | 1000 | *†104 | 104 | 0 | 0 | 7.76 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn |
|---|---|---|---|---|---|
| Alberta 3 93 | 0.0312 | 99.80 | 99.89 | 11/06 | 6.14 |
| Alliance & Leic. Bldg. 94 £ | 0.08 | 99.38 | 99.43 | 20/01 | 10.88 |
| Barclays Bank Perp. 1 | 0¼§ | 95.13 | 95.30 | 2/01 | 7.06 |
| Barclays Bank Perp. 2 | 0¼§ | 93.70 | 93.88 | 17/02 | 6¼ |
| Belgium, Kingdom of 91 Feb. | 0 | 100.28 | 100.39 | 19/02 | 6.06 |
| Britannia 5 93 £ | 0⅛ | 99.71 | 99.76 | 8/01 | 10.19 |
| Chase Manhattan Corpn. 91 | 0⅛ | 99.33 | 99.43 | 29/02 | 6.12 |
| Citicorp 98 | 0⅛ | 99.06 | 99.16 | 28/11 | 7.19 |
| Credit Lyonnais 5 00 | 0⅛ | 100.32 | 100.42 | 12/01 | 6.81 |
| EEC 3 92 DM | 0 | 100.15 | 100.22 | 12/01 | 4.44 |
| EEC 5¼ 93 Ecu | 0.0312 | 99.95 | 100.05 | 30/01 | 7.66 |
| Halifax Bldg. Soc. 5 94 £ | 0.1 | 99.56 | 99.61 | 6/02 | 10.54 |
| Midland Bank 01 £ May | 0.1 | 99.28 | 99.38 | 9/02 | 10.6 |
| Milk Mrktg. Board 5 93 £ | 0⅛ | 99.94 | 100.01 | 29/12 | 10.68 |
| New Zealand 5 97 £ | 0.07 | 99.78 | 99.88 | 14/08 | 10¼ |
| New Zealand 5 01 | 0 | 99.87 | 99.97 | 4/02 | 6.13 |
| Prudential Corpn. 4 95 £ | 0.1 | 99.38 | 99.48 | 5/12 | 9.85 |
| Shearson Lehman Hldgs. 91 | 0⅛ | 99.42 | 99.52 | 6/02 | 6¼ |
| United Kingdom 5 92 | 0 | 100.00 | 100.06 | 7/01 | 7.19 |
| Woodside Financial 5¼ 97 | 0 | 99.57 | 99.67 | 28/01 | 6.81 |
| Woolwich 5 95 £ | 0⅛ | 99.68 | 99.73 | 19/11 | 10½ |

Average price change on day −0.05 on week −0.28

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Asics 5 92 DM | 12/83 | 472 | †93 | 94 | −25½ | −16.03 |
| Minolta Camera 2¼ 94 DM | 2/86 | 1105 | †93 | 94 | 0 | 76.79 |
| Ajinomoto 3 99 | 4/84 | 984 | †346 | 348 | −3¼ | −2.90 |
| Chiba Bank 2⅞ 02 | 1/87 | 830 | 145 | 146½ | 0 | −0.77 |
| Fanuc 3¾ 98 | 1/84 | 3564 | †223½ | 225½ | −1⅛ | −0.04 |
| Fuji Bank 2¼ 00 | 10/85 | 1623 | 244½ | 246½ | +2¼ | 2.34 |
| Fuji Heavy Industries 3 00 | 8/85 | 676 | 105⅞ | 107⅛ | +1½ | 1.92 |
| Fujitsu 3 99 | 5/84 | 1109 | 125¼ | 127⅛ | −0⅛ | 0.72 |
| Mitsubishi Bank 2⅞ 00 | 8/85 | 1715 | 231 | 233 | −1⅛ | −0.79 |
| Mitsubishi Trust 2½ 01 | 5/86 | 1600 | 246½ | 248½ | −6 | −11.76 |
| Mitsui Bank 2⅝ 01 | 4/86 | 1029 | 187 | 189 | −0⅞ | −2.42 |
| Mitsui Trust 2⅝ 01 | 10/86 | 1990 | 128 | 129½ | −4⅛ | −2.88 |
| Murata 3½ 00 | 7/84 | 1998 | 187⅛ | 189⅛ | +8⅛ | 4.37 |
| Nippon Elec. 2⅞ 00 | 1/85 | 1295 | 243 | 245 | −0⅛ | 219.92 |
| Nippon Oil Co. 3 00 | 5/85 | 923 | 213¼ | 215¼ | −0⅛ | −4.31 |
| OKI Elec. Ind. 3½ 99 | 10/84 | 805 | 121 | 122½ | −8⅛ | −0.25 |
| Sanwa Bank 2¼ 00 | 10/85 | 1442 | 247⅛ | 249⅛ | −3¼ | −2.03 |
| Sumitomo Bank 2¼ 00 | 8/85 | 2142 | 237 | 239 | −7⅛ | 1.47 |
| Toshiba Ceramics 3 00 | 4/85 | 1734 | 119½ | 120½ | −0⅞ | 6.40 |
| Nippon Oil Co. 2⅛ 92 SFr | 3/84 | 1001 | *†127 | 127 | 0 | −4.97 |
| Yokohama Bank of 2⅞ 01 | 10/86 | 1045 | 133½ | 135 | −3⅞ | −2.91 |

* No information available—previous day's price.

† Only one market maker supplied a price.

**Straight Bonds:** The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

**Floating Rate Notes:** Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

**Convertible Bonds:** Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

# UK COMPANY NEWS

CANADIAN LUMBER PROFITS BOLSTER INTERIM RESULTS

## Dalgety on target with 20% rise

BY MARTIN DICKSON

**Dalgety**, the food, agri-business and commodity group, yesterday announced interim pre-tax profits of £42.6m, up 20 per cent on last year's £35.6m, and earnings per share 15 per cent ahead at 13.0p.

The figures for the half year to the end of December included an initial three-month trading profit of £3.8m from Golden Wonder, the snacks and business acquired for £82m from Hanson Trust. The results were also helped by an exceptionally good half year from Dalgety's Canadian lumber interests. Group trading profits in Canada rose from £3m to £7m.

The company declared an increased interim dividend of 6p a share (5.5p). The figures were at the top end of market expectations and the shares closed up 3p at 328p.

Sir Peter Carey, the chairman, said the overall improvement in the business should carry through to the second half.

"Some slowdown in Canada must be expected as a result of the recently imposed duty on lumber exports to the US," he added. "But elsewhere we expect to see further progress, particularly in our food business; and we are well placed to meet changing market conditions in UK agriculture." He expected good results at the year end.

In the first half, the group's food businesses — including Golden Wonder — produced trading profits of £27.8m (£22.4m). In the UK, Spillers Milling had a good half year, helped by the improved wheat harvest. Home-cooking activities performed well, the company said, while petfoods continued to grow, with Winalot Prime and Kattomeat selling particularly well.

In the US, profits from Martin Brower, the leading distributor to *fast-food chains, had continued to improve, despite a slow-down in the fast food* industry.

Golden Wonder was performing well up to expectations and should be capable of producing profits of about £10.5m a year before rationalisation, and £13m afterwards. Dalgety has already announced the planned closure of two of its four plants. It had already gained market share and now claimed 18 per cent of the crisps markets and 17 per cent of snacks.

The figures included a £12.7m extraordinary surplus from the sale last September of ABM chemicals to Rio Tinto-Zinc for £30m, offset partly by provisions for selective closures.

Sir Peter said that when set against the Golden Wonder acquisition the sale of ABM and the impending disposal of the Clarkson Puckle insurance subsidiary, realising £43m, meant Dalgety had increased its annual trading profit expectations by about £6m for a net outlay of less than £10m.

Agri-business profits in the six months rose from £13.7m to £14.3m, with the UK feed business producing results ahead of last year despite a mild autumn and milk quotas.

In Australia, where the company had now returned to majority control of Dalgety Farmers, results continued to improve, with prices steady, a good season and the business benefitting from a shift from cereals to wool production.

The commodity business saw profits rise from £16.5m to £21.2m, with lumber strong, satisfactory profits from cocoa, despite very quiet markets, and difficult coffee trading.

Group turnover totalled £2.49bn (£2.46bn), trading profit £64.4m (£54.6m) and related companies contributed £3.4m (£3.5m). Interest charges totalled £24.4m (£21.8m), while the tax charge was £14.4m (£12.4m). Net borrowings at the end of the period totalled £268.6m (£366.3m).

See Lex

## Heron cuts its stake in Chloride to below 5%

By Nikki Tait

**Heron International**, the proporety group headed by Mr Gerald Ronson, has reduced its stake in the troubled battery maker, Chloride, from 6.1 per cent to below the disclosable level.

Chloride said yesterday that it had not yet been notified about the size of Heron's share sales, but added that it was "not terribly surprised."

"They said when they notified us of the holdings that they would be varied from time to time according to the portfolio needs of the companies holding the shares," Mr David Wright, company secretary, commented.

There has been no contact between the two companies, beyond formalities, according to Chloride.

"We hear from the market that the shares have gone to institutional buyers," Mr Wright added.

Heron refused to comment further on yesterday's announcement, but Mr Alan Goldman, a director, said that the company remained interested in a number of Chloride shares.

Heron was reported to have an interest in Chloride last autumn, but it was early December before it announced that this had risen above the 5 per cent level. The stake was held by one Heron subsidiary and two nominee companies.

Chloride shares, which have been subject to bid speculation in the past, jumped 5p to 72p ahead of yesterday's announcement, but later slipped back to close at 68p. When Heron announced its stake they were trading atabout 54p.

Chloride's pre-tax profit dropped to just £500,000 in 1985/86, but recovered to £5.3m in the first half of the current year. In December, Mr Kent Price, an international banker, took up his appointment as Chloride's new chief executive.

### Hopkinsons Holdings

*Hopkinsons Holdings*, manufacturer of valves and associated equipment, has acquired Cheshire-based Tacar Developments for an undisclosed sum.

Tacar, which has seen its turnover increase by 400 per cent in three years, supplies electronic control and measurement equipment, particularly for the gas industry.

Mr James Russell, managing director of Hopkinsons, said the purchase of Tacar was a "sound and logical move that will make a meaningful contribution to the group performance."

### Nu-Swift deal

**Compagnie Centrale Sicli**, a subsidiary of Nu-Swift Industries, has exercised its option to acquire Kop, and the consideration is FFr 15m (£1.63m) to be satisfied by FFr 14m in cash on completion, and FFr 1m in cash on December 31 1987.

Kop is incorporated in France and through its subsidiaries operates mainly in distribution, service and maintenance of portable fire extinguishers.

In 1985, Kop had sales of approximately £3.2m and had a consolidated net loss of £25,000. The vendors have warranted that as at December 31 1986, the net assets were not less than FFr 12m.

### Suter

Suter is due to announce its preliminary results on March 16 and not as reported on Saturday.

## Charterhall buys 12.4% stake in Trilion for £3.2m

BY PHILIP COGGAN

Chartehall, the oil and gas group run by Mr Russell Goward, has bought a 12.4 per cent stake in Trilion, the USM-quoted television production company, for £3.2m.

The shares were believed to have been sold by a departing executive from Viewplan, the company which Trilon bought for £6.7m in November.

Mr Bill Hope, Trilion's chairman, said that during conversations with Charterhall the latter company had indicated that it might increase its stake but at present had no plans for a bid.

Trilion recorded pre-tax profits of £926,000 on turnover of £9.58m in the year to September 30 1986. It owns television production companies like Limehouse and Cheerleader, responsible for the Channel 4 American Football programmes.

Charterhall said yesterday that it would continue to invest in the oil and gas sector, but would concentrate on appraising and developing existing discoveries.

It also plans to invest in manufacturing and industrial service groups and has already acquired a portfolio of stakes in quoted companies — excluding Trilion—of around £2.5m.

For the next five years, such investments will be limited to 25 per cent of Charterhall's net assets, unless shareholders approve otherwise.

7 Last week, Charterhall sold a 14.9 per cent stake in Lookers, the vehicle distribution group, for £2.9m.

Charterhall is controlled by a subsidiary of the Australian group, Westmex, which has indicated that investment opportunities offered to it in the UK and Europe will be passed on to the UK group. A similar undertaking has been given to Charterhall North America regarding investment opportunities in Canada and the US.

## Widney buys Reliance Eurocraft and calls for cash

BY JANICE WARMAN

**Widney**, a Midlands engineering company, has announced the agreed acquisition of Reliance Eurocraft, which designs cabinets, racking and shelving for the telecommunications industry, along with a £750,000 one-for-four rights issue.

Widney is to meet the purchase price with a share consideration of 941,176 new 4p shares. An additional consideration of up to £240,000 will be payable if Reliance's year-end pre-tax profit to September exceeds £180,000.

The rights issue will provide a £400,000 working capital injection for Reliance and £350,000 to provide further working capital for possible expansion of the Widney Group and increase its asset base.

It has been underwritten by Widney's stockbrokers, Alexanders Laing and Cruickshank, who are also brokers to the issue.

Widney supplies the telecommunications industry with electronic enclosures and masts, and sees the acquisition of Reliance as a logical extension of its present activities within the industry.

Reliance, which has 30 employees, began trading in November 1985 after buying stock, plant and equipment from *the joint receivers and managers* of Herman Smith (Eurocraft) Ltd. Its turnover in the 51 weeks to November 7 1986, its first period of trading, was £1.6m, producing an operating loss of £64,000 before exceptional items for set-up and relocation costs.

Widney produced full-year profit to September 30 1986 down 36 per cent at £390,000 on turnover of £7.48m.

## Edinburgh Financial raises stake in Stanecastle

BY NIKKI TAIT

**Edinburgh Financial Trust**, the investment trust where a consortium headed by the New Zealand entrepreneur, Mr Bruce Judge, holds a 21.3 per cent stake, has raised its stake in Stanecastle Assets, the privately-owned fund management group, from 40 to 83.6 per cent.

News of the increased stake follows an announcement by Aberdeen Fund Managers — another private investment management company — last week that it intended to make a £30 a share offer for the whole of Stanecastle.

Last night, Mr George Robb, a director of AFM, said that the company was watching the situation. "The acquisition is conditional on the approval of shareholders of EFT," he added. "We will decide later whether to change our terms or withdraw."

EFT acquired its increased holding for £30 a share from Mr William Forsyth, a former director of EFT and Stanecastle who resigned last month at the request of the EFT board; his family, and Lord Sanderson of Bowden, EFT's chairman.

On February 12, EFT also bought shares from Mr Ian Smith, a former director of EFT, and Mr John Taylor, a director of EFT.

At £30 a share, Stancastle is valued at £500,000. In addition to managing EFT, it handles the Drummond unit trust funds, Shires Investment Trust, and life funds for City of Edinburgh Life Assurance.

Yesterday, EFT said it had made the move "to strengthen its position in the fund management field," an area where it looks likely to expand in the future. Last December, it acquired 30 per cent of First Northern Finance Corporation, which specialises in coporate finance.

## RHM offer identifies poor growth at Avana

By Christopher Parkes, Consumer Industries Editor

LACK OF volume growth in its main markets and static gross margins have contributed to the loss of momentum in Avana Group over the past three years, according to Ranks Hovis McDougall.

RHM's formal offer document for the Cardiff-based own-label food specialist, which was posted to shareholders yesterday, says that despite these failings the two companies make "an excellent commercial fit."

They complement each other "extraordinarily well," it adds. Avana's jams, mixes and breakfast cereals blend well with RHM's grocery division.

Avana's interests in own-label slab cake complement the bidder's Mr Kipling and Cadbury brands, and both companies' bulk chocolate and confectionery businesses "will integrate well to provide a sound base for development in an expanding market," the document says.

The document, which follows RHM's contested *£243m bid*, launched on February 4, also refers to Avana's good record for product innovation, production investment and customer service.

It also claims to understand *well the own-label food market*, Avana's speciality, even though it accounts for only £190m of RHM's annual sales of £1.41bn. RHM's offer of 12 new RHM shares for every five Avana shares, or a cash alternative of *896p cash was swiftly rejected* by Avana.

RHM launched its bid from a strong position, having earlier bought a 20.3 per cent stake in Avana from Northern Foods for £49.7m.

Morgan Grenfell, the merchant bank advising RHM, yesterday announced further purchases which took the bidder's stake to 21.2 per cent. Avana shares closed 27p higher at 725p and RHM was up 7p at 327p.

County Bank, National Westminster's merchant banking subsidiary, is advising Avana.

### Britannia purchases

Britannia Security Group alarms division has acquired four small, separate but strategically located businesses —Sovereign Security Services; Wincanton Security Services, Robot Systems; and Morris Security Systems.

The acquisitions will add branches at Banbury, Oxon; Worthing, Sussex; Exeter; Southampton; and south London to the division's existing network.

Total consideration is estimated to be less than £360,000, about £149,000 of which is to be satisfied in cash and the balance by the issue of new shares which will not rank for any interim dividend payment in respect of the year ending June 30 1987.

### Stakis expansion

Stakis has acquired the Lodore Hotel, a private company owning the Lodore Swiss Hotel and the Mary Mount Hotel, both freehold.

The hotel consideration of £3m is to be satisfied by £1,096,000 in cash and the issue of 2,321,945 ordinary shares.

## TR City improves to £3.4m

For the half year ended December 31 1986, the **TR City of London Trust** increased its gross revenue from £3.25m to £3.43m. The net figure worked through £117,000 higher at £2m after taking account of a marginal rise in tax to £839,000 against £825,000.

Earnings per 25p deferred share amounted to 1.007p, up from last time's adjusted 0.946p. A second interim dividend of 0.55p was paid in January and subsequently quarterly payments in May and August will be at this rate.

At end-December, net asset value per share totalled 73.4p (59.6p adjusted)

### Burgess approval

The directors of **Burgess Products (Holdings)** announced yesterday that no appeal had been lodged against the favourable ruling of the Lex Friedrich Commission of the Canton of Fribourg, Switzerland, and that Lex Friedrich is therefore not applicable to Burgess' acquisition of Sala.

Yesterday's extraordinary general meeting agreed to the acquisition of Sala and the increase in authorised share capital.

## Ryman climbs to £179,000

BY ALICE RAWSTHORN

**Ryman**, the office equipment and stationery retailer which joined the USM last autumn, yesterday announced a surge in pre-tax profits from £81,000 to £179,000 in the first six months of the year.

Although much of the growth in profits can be attributed to the contribution of the new units opened in the course of the previous financial year, established outlets also fared well mustering growth of between 7 and 8 per cent in the interim period, according to Mr Stephen Billyeald, managing director.

*The pattern of trading across the group* remained relatively stable, although the first half saw especially strong sales of Ryman's personal organisers and machines, where it is benefiting from buoyant demand for word processors and from the launch of Amstrad's personal computer.

In the six months to November 29, turnover rose to £9.22m (£7.7m) and operating profits before interest to £173,000 (£117,000). Interest payments deducted £71,000 (£66,000).

The company gleaned £77,000 (£30,000) from exceptional items concerning leasehold property disposals and surrenders.

Mr Billyeald expects to see a similar exceptional credit from the surrender of another leasehold property in the second half of the year.

Ryman opened seven new units in the first half and intends to open an additional seven in the second. According to Mr Billyeald this pace of store openings will continue for the next two years or so.

The first half of the year is traditionally less active a trading period than the second. In the opening weeks of the second half business has been very buoyant, however, with Ryman, like many other retailers, enjoying active Christmas trading.

The company anticipates "substantial growth in profits" for the full year.

### ● comment

Ever since its USM debut in October Ryman has cut an incongruous figure: too esoteric to blend in with the mass market retailers; yet not esoteric enough to be ranked alongside the retail whizzes like Body Shop. The shares slumped in the wake of its tender offer, but have risen in recent months and rose again by 2p to 131p yesterday. This set of interims is nothing if not respectable. The underlying growth of 7 per cent is reassuring even if boosts from newly launched PCs and personal organisers seem rather too faddish to be relied upon in the longer term. With projected profits of £800,000 for the full year, the shares are fully valued on a prospective p/e of 17—at least until the company offers something *rather more substantial* to counter misgivings about its erratic past performance.

## BOARD MEETINGS

TODAY

**Interims:** AC Holdings, Hornburger Brooke, Impala Platinum, Intereurope Technology Services, Media Technology International, Ricardo Consulting Engineers.

**Finals:** Alexanders Holdings, Associated Energy Services, Crest Nicholson, Egerton Trust, Padang Senang Holdings, Temple Bar Investment Trust, Vantage Securities, Yeoman Investment Trust.

FUTURE DATES

Interims—

| | |
|---|---|
| Bracken Mines | Feb 26 |
| F and H Group | Feb 20 |
| Kinross Mines | Feb 26 |
| Leslie Gold Mines | Feb 26 |
| Merivale Moore | Feb 25 |
| Therman Holdings | Feb 18 |
| Unisel Gold Mines | Feb 26 |
| Winkelhaak Mines | Feb 26 |
| Finals— | |
| Cowie (T.) | Feb 25 |
| United States Debenture Corp | Feb 24 |
| Wates City of London Props. | Feb 25 |

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres-ponding div | Total for year | Total last year |
|---|---|---|---|---|---|
| Citygrove‡ | 1.5 | — | — | — | — |
| Dalgety ......int. | 6 | — | 5.5 | — | 13 |
| Goodhead Print‡ ...int. | 1.25 | — | 1 | — | 3 |
| Ryman | 0.6 | — | — | — | — |
| Scottish Eastern | 1.35 | May 4 | 1.15 | 2.2 | 2 |

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

# UK COMPANY NEWS

## Yorkshire Bank profits boosted 47% to £66m

BY DAVID LASCELLES, BANKING CORRESPONDENT

*Yorkshire Bank, the Leeds-based* bank owned by four of the UK clearing banks, raised its pre-tax profits to £65.7m for 1986, an increase of 46.8 per cent on the £44.8m it earned in 1985. The strong performance seems certain to confirm Yorkshire's position as the UK's most profitable bank in terms of return on capital.

Mr Graham Sunderland, the general manager, said it had been "a splendid year." He attributed it to several factors including a strong rise in net interest income, higher fees from commissions and other services, and a modest increase in costs. He also said that Yorkshire Bank expects profits this year to exceed £70m.

There had been some anxiety about the introduction of "free-if-in-credit" banking by the big clearing banks. But Yorkshire managed to exceed its target of 160,000 new accounts. However, growth was slower than in previous years, and Mr Sunderland said he was concentrating more on quality now than on quantity.

During the year, Yorkshire Bank opened seven new branches and has a further eight scheduled for this year. Gradually, its geographical reach is expanding beyond the North West. New branches will include Bedford and Hitchin, with Worcester and Hereford planned for later.

Mr Sunderland said the bank is expanding its range of services, and is now building up a mortgage book with £20m already lent, and a Personal Equity Plan (PEP) service which had attracted £1m in investments. Investment is being handled by Save & Prosper and Cazenove.

Overall, the results reinforce Yorkshire Bank's recovery from the miners' strike which dented earnings in 1984. In 1985 it was at the top of the UK banking profitability league.

At the end of last year, Yorkshire Bank's capital and reserves amounted to £209m, up 16 per cent on last year, and assets rose 22.6 per cent to £2.1bn. The ownership of the bank is split between NatWest (with 40 per cent), Barclays (32 per cent), Lloyds (20 per cent), and Royal Bank of Scotland (8 per cent).

## Pepe goes to France for first acquisition

By Janice Warman

Pepe Group, USM quoted designer, importer and wholesaler of casual wear, has agreed to purchase Buffalo SA, French clothing manufacturer, for FFr 50m (£5.39m), its first acquisition.

The acquisition is conditional upon the company showing a year-end pre-tax profit to December 31 of FFr 9.2m, with net assets of FFr 32m.

Pepe lifted its interim pre-tax profits to September 1986 by 42 per cent to £3.65m, with sales up 47 per cent to £20.81m.

Mr Arun Shah, deputy chairman, said the acquisition was patr of Pepe's expansion into Europe. The company is already represented in Belgium and France as well as Australia, the Republic of Ireland and the US, where it has eight showrooms.

"We are also looking at other countries in Europe," he said.

Pepe will take over the financial and andministrative control of Buffalo, while Mr Claude Dray is to stay on as director-general in conrtlo of design, marketing and publicity. Pepe plans to exploit the Buffalo brand outside France and to develop Pepe's brands through Buffalo's marekting organisation.

The FFr 50m purchase price is payable in four stages, with the first FFr 35m, for 70 per cent of the shares, payable when the agreement's conditions are in March. The remaining 30 per cent will be purchased in eual amounts over the next three years.

Buffalo, which is wholly-owned by the Dray family, was established in 1971 as a designer and producer of casual

Pepe shares rose 3p to 186p

## Guinness Peat ups stake in New London Oil

Greenwood Resources Inc, a founder shareholder in New London Oil, has sold for cash its entire holding of 4.3m ordinary shares in the company. The sale, to allow a reconstruction of Greenwood's financial affairs, has been effected with the knowledge of New London directors.

An affiliate of Guinness Peat has acquired 2.15m of the shares and the group now holds 28.32 per cent of New London's issued share capital.

The balance has been acquired by an affiliate of Sidro SA, the Brussels stock exchange-quoted energy investment company which now holds 27.44 per cent of the company.

Neither Guinness Peat nor Sidro SA has indicated any intention of acquiring any further shares in New London Oil.

● In a separate deal, Guinness Peat is acquiring the 25 per cent minority interest in Valonpalm, which provides management services to the group's insurance-related activities, under the terms of an agreement entered into in October, 1980.

The consideration is based on the earnings of Valonpalm over the 10 years to September 30, 1989 and will be made in two instalments: the initial payment of £3.5m will be satisfied by an issue to the vendors of 4m new ordinary shares in the company; and the final payment will be made in 1990, based upon the earnings of Valonpalm for the three years to September 30, 1989.

## Goodhead Print advances and seeks acquisitions

Goodhead Print Group, a USM printer and publisher, yesterday reported a substantial increase from £524,000 to £892,000 in pre-tax profits for the half-year to November 30 1986.

Mr Colin Rosser, the chairman, said the company, which made its debut on the USM some 18 months ago, had its sights set firmly on getting a full listing on the London Stock Exchange.

He added that the second half had started strongly, with the core contract printing business continuing to perform to expectations. He saw continued growth and would seek further acquisitions that fitted into the company's declared strategy for expansion. Last month it acquired the Review Group of newspapers at St Albans for an initial payment of £1.52m.

Mr Rosser said a deal which could take the group into creative design, was on the cards. Other acquisition opportunities, including a number of printing businesses and one bigger printing and publishing company, were being looked at.

Group sales in the opening half rose from £12.34m to £16.86m, and operating profit was up from £726,000 to £1.27m. The pre-tax figure was after net interest and similar charges up from £202,000 to £376,000. Tax was £250,000 against £131,000.

The interim dividend is raised from 1p net to 1.25p, and stated earnings per 20p share improved from 4.3p to 6.6p.

● **comment**

Contract printing is a cut-throat business with tight margins and Goodhead is accordingly eager to move into the publishing of free newspapers—currently around 25 per cent of group turnover, with 40-50 per cent the eventual aim. Business in the free newspaper market is still booming and Mr Rosser is unlikely to lack acquisition candidates, although the 70 per cent gearing indicates that it is time Goodhead used its paper to make purchases. In these figures, however, growth in profits depended on the core printing business—contracts won in the first half included Weekend magazine and some comics. At the full year stage, the recent acquisitions will help push pre-tax profits to around £2m which will be good news ahead of the planned transfer to the main market. At 200p, up 10p, the shares are on a prospective p/e of 15.5.

## Blue Arrow

Mr Tony Berry, chairman of Blue Arrow, said in his yearly statement that management reports for the first two months of the current year indicated that the momentum in trading performance in the UK was continuing with yet further record levels of business being achieved.

In the US, levels of trading in the employment services group were up to management's expectations and, in particular, record levels of permanent placements were achieved.

**Nick Bunker** and **Roger Scotton** look at CE Heath

## Storm cloud over Bermuda

IN THE last 12 months, a series of sledgehammer blows have hit C.E. Heath, Britain's sixth biggest Stock Exchange-quoted insurance broker.

A mass defection of 28 broking staff seven days before Christmas put the finishing touch to a year Heath will surely want to forget.

It included the resignations last August of three top North American reinsurance broking executives, and a tough battle last autumn to fight off a hostile takeover bid from PWS Holdings, a rival Lloyd's broker.

At the time of the PWS bid, Heath was itself in the midst of concluding an agreed merger with Fielding Insurance, a privately-owned Lloyd's broker headed by Mr Richard Fielding. Mr Fielding has now become Heath's chairman and chief executive.

Richard Fielding, chairman and chief executive of C. E. Heath

Across the Atlantic in Bermuuda, however, the signs were late last week that Pinnacle Reinsurance—Heath's troubled underwriting subsidiary—was mounting an all-out legal battle to chase away another of the black clouds on the group's horizon.

The cloud in question is a multi-million dollar lawsuit brought by two accountants acting as liquidators for Mentor Insurance, a failed Bermuda company.

The two liquidators are Mr Charles Kempe and Mr Michael Arnold, who are partners in Arthur Young, the international accountancy firm.

They filed suit in a US district court in New Orleans last March against Pinnacle and 10 other defendants.

The plaintiffs are claiming up to $700m (£461m) in damages from Pinacle and 10 other defendants including Mentor's New Orleans-based parent Ocean Drilling and Exploration Company (ODECO).

Mentor collapsed in June 1985 under a mountain of debt and considerable pressure from the British colony's authorities.

The liquidators allege that Pinnacle and the other defendants devised a scheme to defraud Mentor and hundreds of policyholders—a claim fiercely denied by Pinnacle, which is confident that it will stop the lawsuit in its tracks.

Last Friday, Pinnacle's lawyers stepped up the fight—which, for now, is centred on persuading Bermudan judges to make a ruling on the matter.

They have enlistetd the help of Mr John Murray Chadwick, QC, a British judge, and Professor Robert Blakey, a US academic, who have sworn affidavits which were presented to the Bermuda Supreme Court on February 13.

The liquidators' allegations centre on three reinsurance contracts which they say Pinnacle sold to Mentor between 1982 and 1984. Their lawsuit says that the contracts helped the defendants to conceal Mentor's poor financial results, and allowed it to amass huge liabilities, estimated in September to be as high as $644.4m.

The suit alleges common law fraud, but also claims violations of the US Racketeer Influenced and Corrupt Organisations Act (Rico).

Pinnacle and its co-defendants deny the claims, but Pinnacle also argues that the New Orleans court has no jurisdiction over business dealings between two Bermuda companies whose contracts provided for arbitration under Bermuda law. It has also insisted that it has transacted no business in Louisiana, and that there are no parties reinsured by Pinnacle in that state.

Yet the US judge in Louisiana has so far refused to let Pinnacle off the hook, arguing that since Pinnacle had direct communications with ODECO it should have expected to be hauled into a New Orleans court over a non-contractual dispute.

Pinnacle's response is to ask the Bermuda Supreme Court to rule on the legality of the Mentor reinsurance contracts. Second, it is seeking a declaration that Mentor's joint liquidators have no standing under English or Bermudan law to bring their action against Pinnacle.

The affidavits filed last Friday included arguments from Mr Steve Lawrence, a Pinnacle vice-president, that the three reinsurance contracts were by no means unusual in the reinsurance industry, and were acceptable vehicles for allowing Mentor to reduce its reserves against losses. Pinnacle still issued such contracts, Mr Lawrence said.

He has also pointed to recent examples where clients of Arthur Young were given clean audit opinions on financial statements embodying reinsurance contracts of the type Mentor made with Pinnacle.

But Pinnacle is also relying heavily on the assessment by Mr Chadwick, who has said that the liquidators are pursuing a claim that really belongs not to Mentor, but to its creditors. His affidavit apparently insists that an English court would dismiss their allegations.

Mentor's liquidators now have one month in which to respond.

Whatever the outcome—and Pinnacle is confident of victory—the lawsuit is still highly unwelcome. In November, C. E. Heath said it had posted a £1m extraordinary provision against litigation costs.

What is more, in 1985-86 Pinnacle provided about £5m of Heath's £30.3m profits for 1985-1986.

Heath's interim results last November showed an overall 36 per cent fall in pre-tax earnings to £10.3m. So it can hardly afford to lose more of Pinnacle's contribution because of bad publicity over the New Orleans lawsuit.

Already, Pinnacle estimates that its gross premium income has tumbled by an unprecedented $114m, simply because the US lawsuit is pending.

It predicts that business will continue to deteriorate until the suit is settled.

# UK COMPANY NEWS

## E. T. Sutherland named as Home Farm's new partner

BY NIKKI TAIT

**E. T. Sutherland and Son,** the Unlisted Securities Market-quoted food group, yesterday emerged as the mystery partner for Home Farm Products, shares in which were suspended last Friday. Both businesses are Sheffield-based, and Home Farm, which produces pork and pork products, already supplies sausage meat to Sutherland.

In an agreed £17.5m merger, Sutherland is offering to swap five of its own shares for every two in Home Farm. Shareholders can elect to take cash—at 170p a share—up to 10 per cent of their holdings. With Sutherland 5p weaker yesterday at 65p, the paper terms value each Home Farm share at 162.5p and the whole company at £7.6m—still slightly less than Sutherland at £9.75m. Home Farm shares jumped from the 113p suspension price to 145p on the news.

The merger has the backing of Home Farm directors, two of whom—together with family trusts—have given irrevocable acceptances in respect of 51.8 per cent of the equity.

The deal is the first expansion move since two former Dalgety men, Mr Timothy Holt and Mr Brian Williams, joined the company last autumn as managing director and group finance director respectively. Mr Holt said the merger would give scope for expanding trading between the two businesses — they are literally five minutes down the road from each other—producing both economies in raw material procurement and new marketing opportunities.

On its canning side, Sutherland sells heavily to supermarkets, but its chilled food products go principally to independents. The company, said Mr Holt, has lost several potential orders because it was not sufficiently competitive and lacked the raw material supply.

Home Farm, which made pre-tax profits of £1.2m in the last full year, saw a 62 per cent profit downturn to £257,000 in the six months to end-November. Pig prices have since eased and the second half is expected to show an improvement. Sutherland has also faced problems, with a fall of profits from £1.5m to £840,000 in 1985 and a reduction from almost £700,000 to £160,000 in the first half of 1986. In September, the company said that that decline had been halted, although second half sales were still running slightly under budget.

Following the merger, the businesses will be run as autonomous production units, although two Home Farm directors will join the Sutherland board.

Yesterday, Mr Holt said there were plans to rename the combined companies as the Sutherland Group and create a board for the holding company, comprising himself, Mr Williams and Mr Michael Moss, a non-executive director of Sutherland, recently retired from Unilever.

## Argyll set to dispose of its drink activities

BY LISA WOOD

Argull, the supermarkets and drinks group, is understood to be about to sell to separate purchasers its drinks activities which include Morton in the UK and Barton Brands in the US.

The group hinted at a disposal last month when it acquired Safeway Food Stores in the UK for £681m.

A statement published at the time said: "Following its unsuccessful offer for Distillers, Argyll has undertaken a detailed examination of other branded drinks acquisition opportunities.

"Argyll now believes that, from its modest base in the drinks sector, it may no longer be practicable, in a highly concentrated industry, for Argyll to establish a major international drinks business at an acceptable cost. Argyll is therfore reviewing carefully the future of its Barton Brands and George Morton drinks activities within the Argyll group."

Barton Brands markets and distributes imported wines, beers and spirits in the US. George Morton is a wholesale distributor of brands in the UK including OVD rum.

The drinks division in 1986 achieved a 6 per cent increase in operating profit, some £13.8m, on a turnover reduction of 5 per cent. Group pre-tax profit in 1986 was £64.8m.

It is understood that Argyll is at an advanced stage of negotiation to sell the two businesses, which are estimated to be worth more than £50m.

The purchase of the Safeway supermarket group by Argyll has created a supermarkets group with 291 stores and a turnover of more than £2.4bn. The stores, combined with Argyll's Presto stores—the majority of which will take the Safeways name—will command about 9 per cent of the UK market for dry packaged groceries.

## Hillsdown spends £2m in move into two new areas

BY NIKKI TAIT

**Hillsdown Holdings,** the highly-acquisitive foods to furniture company, yesterday announced two separate acquisitions around the £1m mark — both of which add new arms to the group.

The first is a 75 per cent stake in J. J. Yates, which is engaged in insurance broking. This, according to Mr Harry Solomon, joint chairman of Hillsdown, is largely a "clearing-up operation"; Yates already handles over 50 per cent of Hillsdown's insurance business and, although it has some outside clients, the food company is its largest source of business.

Yates currently makes pre-tax profits of around £200,000 a year, and the owner will retain the outstanding 25 per cent interest.

Hillsdown is paying £1m for its majority holding, via the issue of 289,858 shares—worth around £750,000 — and the remainder in cash.

The second company, Firstan, which is based in Cambridge, will give Hillsdown its first independent packaging subsidiary.

Firstan's business is split between printing, paper packaging and packaging design; after the acquisition, it will operate within Cartwright, Brice, Hillsdown's contract stationery and office equipment business. Firstan employs around 40 people, and in 1986 made pre-tax profits of some £240,000.

At present, Hillsdown puts most of its packaging out to third parties, although some of the simpler packaging—*especially labelling—is done in-house.*

As with Yates, Hillsdown is buying an initial 75 per cent stake in Firstan, to be satisfied by the issue of 412,315 shares—worth just over £1m—and a further £101,855 in cash.

However, another 10 per cent of the equity will be acquired, for a consideration based on a 7.5 times multiple of post-tax profits in the eight months to end-December, and the remaining 15 per cent will be bought in equal tranches over the next three years—based on a similar multiple of post-tax profits then.

## Assets up 37% at Scottish Eastern Trust

*Net asset value of the* **Scottish Eastern Investment Trust** rose by 36.6 per cent from 125.4p to 171.3p during the year ended January 31 1987 and the dividend is increased 10 per cent to 2.2p with a final payment of 1.35p.

After tax of £2.16m, against £2.07m, and preference dividends of £88,000 (same), revenue available came through ahead from £4.2m to £4.82m, of which ordinary dividends will absorb £4.65m (£4.22m). Earnings per share were shown as 2.28p, compared with 1.99p.

The directors said that tactical changes in the Japanese element of the portfolio were particularly successful, the level of the portfolio there rising from 10 per cent to 20 per cent between February and July 1986.

In the UK significant additions were successfully made to the portfolio in the third and fourth quarters of the year lifting the proportion from 45.' per cent to 51.3 per cent.

In North America reductions were made in the first half of the year to finance Japanese purchases, but this process was reversed by utilising an increase in the US dollar overdraft.

## Citygrove builds up its profit on out-of-town sites

**Citygrove,** a USM-quoted property developer which *specialises in out-of-town retail sites,* reported a rise in pre-tax profit from £220,000 to £715,000 in the year to November 30, 1986 compared with a flotation forecast of £625,000. During the same period, turnover of the company, which came to the USM in October last year, increased from £4.5m to £12.9m.

The shares closed up 25p at 123p.

Mr David Woolf, chairman, said that the group had consolidated its position as one of the *major out-of-town retail developers* and was now engaged in the development of more than 1'00,000 sq ft of *out-of-town* retail stores in 10 schemes.

And he added that with the continuing strong demand for out-of-town retail space resulting in a high level of development opportunities, he anticipated a further year of substantial progress.

*He reported* that the company was involved in a number of substantial projects, but stressed that it was not currently involved in any schemes which were likely to be reviewed in accordance with recent government planning directives concerning schemes in excess of 250,000 sq ft or schemes on land designated as green belt.

After administration expenses of £260,000 (£162,000), operating profit totalled £751,000 (£309,000). Tax charges amounted to £214,000 (£95,000) and earnings per basic share worked through at 9.49p (2.18p) undiluted and 8.22p (2.09p) fully diluted.

The interim payment is 1.5p, as forecast, and on the basis that the company had been quoted for a full year, dividends of 2.5p would have been paid.

## N. Brown purchase

**N. Brown Group,** direct mail order specialist, has reached agreement to acquire **Hammond House Investments** for £1.47m in shares.

Hammond House is a specialist investment advisory and fund management company. In the year to April 1986 its pre-tax profits totalled £157,000. For the current year the directors have forecast £541,000.

*The acquisition of Hammond* House will bring the total funds managed within the Brown group to over £80m.

## SHARE STAKES

Changes in company share stakes announced over the past week include:

**Jefferson Smurfit** — On February 2 director Mr J. J. Smurfit disposed of 1,001,000 ordinary (0.5 per cent) at 448p. He now holds 3,023,938 (1.52 per cent).

**Audio Fidelity**—Mr K. N. Hester has sold 50,000 ordinary (approximately 1.84 per cent), reducing his interest to 104,204 shares (approximately 3.83 per cent).

**Aaronson Bros**—Director Mr Leslie Aaronson has purchased 100,000 ordinary and now holds 333,165 *ordinary* (just under 0.92 per cent).

**Plysu**—Director R. E. Gordon has disposed of 30,000 shares and now holds 780,190 shares (2.161 per cent).

**J. S. Pathology**—Director Prince Y. N. Galitzine, has sold 15,000 ordinary.

**PWS Holdings** — Director M. E. Pearson has sold 130,000 Ordinary of his beneficial holdings and now holds 1,750,000 Ordinary. He also sold 150,000 Ordinary non-beneficially leaving a non-beneficial holding of 254,323 Ordinary.

**Ward White Group**—Director J. A. Norman has sold a total of 50,000 shares and Owen Owen No. 1 Trust, in which Mr Norman has no beneficial interest, has sold 150,000

**Ivory and Sime**—Deputy chairman G. M. Ramsay has sold 100,000 Ordinary. Chairman R. A. Hammond-Chambers has purchased 5,000 Ordinary.

**Wyko Group**—Director A. R. Sinclair has purchased 100,000 Ordinary. Directors P. E. Fernihough and D. J. Yates have each sold 40,000. Mr Fenihough now holds 571,165 ordinary (2 per cent), Mr Yaes 606,765 Ordinary (3.4 per cent) and Mr Sinclair 100,000 Ordinary (0.6 per cent).

**EMAP**—Non-executive director P. J. Cooke, has purchased a total of 7,046 A limited voting Ordinary.

**Feedex Agricultural Industries**—Director R. H. Mountfield has sold 14,510 Ordinary (0.08 per cent).

## Elswick completes Holdsworthy purchase

**Elswick** completed the acquisition of certain assets and the business including the brand names of **Holdsworthy,** a UK based bicycle manufacturer, for £954,000.

The total consideration is payable in three equal instalments on February 16 (on completion), on November 16 1987 and August 16 1988. No interest in chargeable on the second and third cash instalments.

The net book value of the tangible assets acquired amounts approximately to: plant, machinery and certain other fixed assets £350,000; stocks of finished bicycles, components £1.43m.

Elswick intends to continue to manufacture bicycles under the principal brand names acquired, namely, Claud Butler, Holdsworth, Marlboro and Comrade.

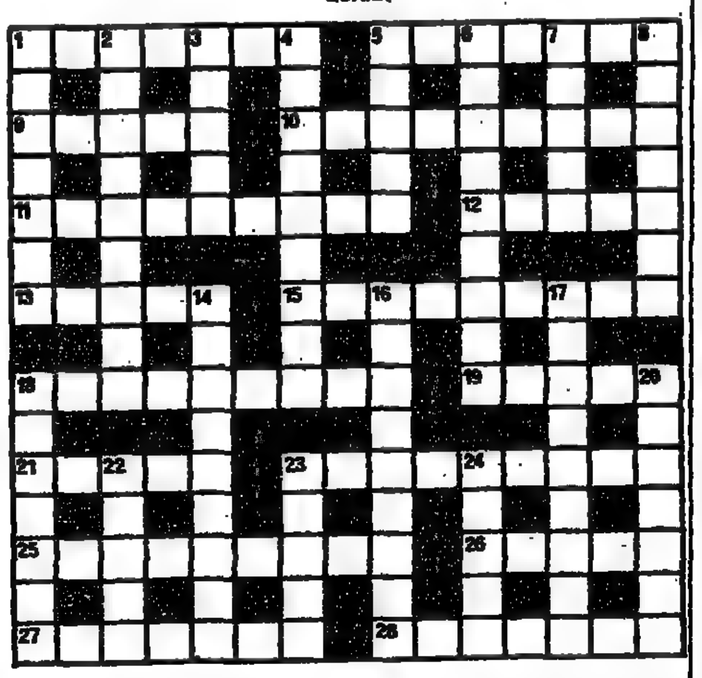
# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE

# INSURANCES

## FT CROSSWORD PUZZLE NO. 6,255

QUARK



### ACROSS

1 and 5 Shifty person could be going through the money (7, 3, 4)
9 This home wins easily (5)
10 Sign of disapproval that's growing (9)
11 Uncomfortable, ie seat all broken? (3, 2, 4)
12 In a rag growing unrest is seen (5)
13 Nick is wanted (the Church excepted) (5)
15 Bring about in the way one has to punish students (9)
18 Prisoner made up and kept within the law (9)
19 The lake's a draw, on the way back (5)
21 Eastern bowl that could be "down under" (5)
23 Circulating within the Royalty (4, 5)
25 Put a stop to announcement in North-East columns (9)
26 Break out for Joseph's follower (5)
27 In conclusion, the event is covered (7)
28 Little, perhaps, sent round to pacify (7)

### DOWN

1 Bit part (7)
2 Herb's not up? Must be foolish (9)
3 Bit of extra in this month, so put it in (5)
4 Metal mass in the plant (9)
5 State unexpected experience (5)
6 Adopting half a sign for the horses? (9)
7 Run off one galleon initially to do it (5)
8 The crucial aperture? (7)
14 Poet shows glints intermittently, displaying tricks (9)
16 Rather conservative party referred to in 24 (9)
17 It can produce a drop or stop the flow (3, 6)
18 Part of room in 3-D, we hear (7)
20 Grateful supporter? (7)
22 I'll possibly account for the colour (5)
23 Certain make of goods (lines also) (5)
24 Standard reference work (5)

**Solution to Puzzle No. 6,254**

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | L | O | O | K | I | N | G | T | H | E | P | A | R | T |
| C | | V | | N | | E | | R | | P | | B | | R |
| A | R | E | N | A | | W | E | A | R | I | S | O | M | E |
| R | | R | | V | | S | | P | | C | | U | | A |
| P | A | S | T | E | U | P | | S | C | E | P | T | I | C |
| A | | I | | | | A | | | | N | | | | L |
| L | O | G | I | C | | P | R | I | N | T | A | B | L | E |
| | | H | | O | | E | | N | | R | | A | | |
| I | N | T | E | R | P | R | E | T | | E | N | T | E | R |
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| L | E | S | S | O | R | S | | L | O | O | T | E | R | S |
| A | | I | | R | | L | | L | | U | | R | | T |
| M | A | R | M | A | L | A | D | E | | T | A | S | T | E |
| I | | E | | N | | N | | C | | D | | E | | R |
| C | O | N | S | T | I | T | U | T | I | O | N | A | L | |

# AUTHORISED UNIT TRUST & INSURANCES

**Cannon Assurance Ltd**
1 Olympic Way, Wembley HA9 0NB — 01-902 8876

2nd Series Life Accumulation

| | | | | |
|---|---|---|---|---|
| Equity | 370.1 | 391.4 | +2.9 | — |
| High Income | 316.9 | 335.3 | +1.4 | — |
| Property | 217.1 | 229.7 | .... | — |
| Managed | 264.3 | 279.7 | +1.3 | — |
| Deposit | 177.6 | 187.9 | .... | — |
| Gilt | 182.1 | 192.7 | +0.3 | — |
| American | 270.2 | 285.9 | +3.3 | — |
| International Money | 199.2 | 210.8 | −0.2 | — |
| Index | 113.1 | 119.7 | +1.2 | — |
| Far East | 211.8 | 224.1 | .. | — |
| Global | 106.5 | 112.7 | .... | — |
| European | 107.5 | 113.8 | −0.2 | — |
| Japan | 112.4 | 118.9 | −0.7 | — |
| Residential Property | 96.9 | 102.5 | — | — |

2nd Series Pension Accumulation

| | | | | |
|---|---|---|---|---|
| Equity | 593.7 | 627.7 | +5.3 | — |
| High Income | 379.2 | 401.3 | +2.0 | — |
| Property | 305.2 | 323.0 | . | — |
| Managed | 384.1 | 406.5 | +2.4 | — |
| Deposit | 264.6 | 280.0 | +0.1 | — |
| Gilt | 257.4 | 272.4 | +1.3 | — |
| American | 428.1 | 453.0 | +6.0 | — |
| International Money | 287.0 | 303.7 | −0.6 | — |
| Index | 124.3 | 131.5 | +1.2 | — |
| Far East | 234.3 | 247.9 | .... | — |
| Global | 109.7 | 116.1 | . | — |
| European | 111.1 | 117.6 | −0.1 | — |
| Japan | 117.3 | 124.1 | −0.8 | — |
| Residential Property | 97.9 | 103.6 | . | — |

Other Funds

| | | | | |
|---|---|---|---|---|
| Equity Units | | 79.60 | +0.66 | — |
| Property Units | | 22.93 | | — |

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ADVERTISER'S ANNOUNCEMENT

## SHANGHAI — CHINA'S LARGEST FOREIGN TRADE CENTRE

# Shanghai Foreign Trade Corporation

Shanghai Foreign Trade Corporation's efforts to become a comprehensive trading and investment company literally took off last year with the start of Shanghai Airlines.

The new airline is the first big threat to the monopoly held by the Civil Aviation Administration of China, and exemplifies the FTC's openness to change. The corporation owns 30 per cent of the new business, other local institutions have 40 per cent and the Bank of China 30 per cent.

Until 1985 the FTC concentrated on handling all of Shanghai's imports. It was linked to the Foreign Trade Bureau which was an administrative body. The corporation gained its independence and broadened its scope in 1985 when reforms split administrative and trade functions.

One of the FTC's new responsibilities is sponsoring the annual Shanghai Fair, which runs from February 27 to March 8 this year. One of the main goals will be to encourage investment in the new Hongqiao and Minhang technology developing districts.

*Shanghai's experience as China's* biggest trade centre helps the corporation in new and old endeavours. "We are known throughout the world by our cable address, 'SHANTRA,' as a reliable trader," said FTC vice-president Zhou Jiaming.

The corporation retains control of about 80 per cent of Shanghai's imports, including steel, chemicals, medical goods and household electrical items. But Zhou said: "I think that for the next five years our foreign exchange will be limited in accordance with the needs of China's modernisation. We will mainly import raw materials, not consumer goods."

### A new approach

The main focus for exports is on new products and procedures, and in this area the corporation shows its initiative by thinking small. It recently shipped one container to Japan with 10,000 pieces of 172 different products. This was Shanghai's first try at the "odds orders" business. "In the past no one would touch this kind of trade," said Zhou. "It could be a breakthrough."

If sales of odds orders to Japan succeed as expected, the corporation will expand sales to Hong Kong, Europe and the United States. "I just read that Hong Kong buys US$10 million a year in small mail order products. No one else in China will do this business, but we want to try," said Zhou.

One group of new products the FTC wants to push is rare earth, which has many uses in industry. There are large stocks of these high-priced chemicals in China, but exports are low.

Zhou said, however, that he thinks the main areas for Shanghai exports will continue to be textiles and light industrial products for five to 10 more years. "Of course we want to export a lot of machinery, but we need a great deal of high technology for that, and we can't get it in a short time."

The Foreign Trade Corporation plans to leave exports that fall under quotas to the specialized traders, such as China National Light Industrial Products Import/Export Corporation. That is one reason the FTC has not yet broken into the European market. Most exports go to the United States, Southeast Asia, Japan and South America.

But Zhou asserted that the Queen's successful visit to China last year would help trade between the two countries. The Sino-British Trade Council also held a two-day seminar in Shanghai on October 14 and 15 to promote trade during the Queen's China visit. One day of the meetings was held on the Royal yacht Britannia.

The corporation exports products from all over China, including melon seeds from far away Xinjiang. It also handles counter trade. One deal sent coal to *Argentina for steel. The FTC provides* many products to Peking's new Latin American Import/Export Corporation to use as exports in counter trade and also offers a market for imports.

### Export initiatives

The central government has introduced incentives to factories that import machinery to increase exports. Representatives of factories importing production equipment often participate in negotiations, which helps them obtain technical and market information.

"In many cases we take people from the factory abroad," Zhou said. "And everyday our export department takes foreign traders to factories to pass information along to them."

For example, one Shanghai factory was interested in exporting electric locks to the United States in cooperation with a San Francisco company. The FTC relayed photos and data from the US company to the factory, and then sent the factory's sample to San Francisco.

The potential customer made a critique of the sample, pointing out that the products would have to be standardised to receive UL certification. The FTC passed the critique to the factory and helped the US firm arrange visits to the factory and send videos to explain the products in detail.

The corporation is also helping a Shanghai factory look for a US$8-to-10 million production line to make polyester backing for x-ray film. The foreign supplier would be expected to buy a portion of the finished products. It would be the first time Shanghai has exported x-ray film.

### Overseas offices

The Foreign Trade Corporation also keeps *in touch with foreign markets* and suppliers through 11 overseas offices. Some are joint ventures, such as the Shanghai Overseas Trading Corporation in Geneva. Others in cities including Osaka and Panama City are FTC representative offices and are not allowed to make profits or sign contracts.

"The Swiss joint venture can do all sorts of business, including importing and exporting and acting as a commission *agent," Zhou said. The FTC also has* a retail shop in Geneva specialising in handicraft products.

One of the corporation's most important links with foreign businessmen is its office in the China Trade Centre in Hamburg. The centre is run by China's Ministry of Foreign Economic Relations and Trade. The third European office is in Milan. The corporation also has divisions in the China Trade Centre in New York and San Francisco.

One of the main activities of FTC overseas offices is encouraging joint ventures. The corporation's business department usually makes the first contact and passes the request to the investment department which makes a feasibility study. If the study results are positive, the necessary documents are drawn up and government approval is sought.

*Shanghai Foreign Trade Corporation Vice President Zhou Jiaming*

### Joint ventures

The FTC has accounted for 40 of Shanghai's 230 Sino-foreign joint ventures. They include factories and hotels worth a total of about US$30m.

"*In my experience the most difficult* point is deciding the location of the joint-venture factory," Zhou said. "Shanghai wants the factory to be on the outskirts (because of overcrowding and pollution), but traffic is poor in those areas. Foreigners prefer to have the factory in the city where it's more convenient."

Perhaps the biggest advantage for Shanghai joint ventures is the quality of the workers, managers and exporters. Zhou could be taken as an example of this expertise; he has taught himself to speak fluent English in his 20-odd years in foreign trade.

Most of the FTC's joint ventures are with Hong Kong or Japanese companies. Zhou said they have considerable flexibility in management, such as the right to hire and fire workers.

One of the other FTC specialties is importing advanced machinery. China has become increasingly willing to provide foreign exchange to buy such equipment to make products that can substitute for imports, according to Zhou.

Many other functions are handled by FTC departments and affiliates. The Foreign Trade Service Department engages in taxi services, car maintenance and booking restaurants, guest halls and exhibition rooms.

The Shanghai Foreign Trade Consulting Corporation helps Chinese and foreign enterprises find appropriate partners for co-operation. It will also organise seminars and introduce advanced foreign equipment and technology into China.

*Newseas Navigation Corporation owns* two refrigerated vessels, eight general cargo vessels and two container ships. More than 100 ports are served, either direct or by transhipment.

In addition to its speciality, the Shanghai Advertising Corporation edits and photographs movies, arranges exhibitions in China and abroad, does translation work and performs consultation on market conditions.

# Shanghai—new development policies

On the road known as "Wall Street" in Shanghai's thriving financial district of some 50 years nothing has changed, or at least the buildings are the same.

Like much of Shanghai, the faded shell of the old financial area remains but its renowned expertise in international markets and aggressive money-making spirit have slipped. That is changing. In the past year Shanghai has forged ahead with new policies and attitudes that will give its resourceful people a chance to spur the city's growth.

In the process Shanghai is adopting a new role. Since the founding of the People's Republic of China in 1949, Shanghai has been the country's "cash cow." Its developed industries and trading network brought in about one-sixth of China's tax revenue. Only recently have funds and new ideas been put back into the city to begin to rejuvenate foreign trade, manufacturing, investment and finance. Shanghai is becoming a leader in innovation as well as in revenue.

"Shanghai was quite conservative before," *said a Hong Kong businessman* who has spent much of his time in Shanghai. "Now they've got a new mayor, Mr Jiang Zemin, and they are more open." The highly educated Mr Jiang, who had served as minister for electronics, is seen as one of the new breed of Chinese leader who is more interested in getting things done than bureaucratic manoeuvring.

### Investment incentives

*One main impetus for change was* Shanghai's poor economic performance compared to other parts of China. Annual industrial output growth in neighbouring Jiangsu province, for instance, soared 21 per cent from 1982-1986, well above Shanghai's 7.5 per cent.

The city has also lagged behind in attracting investment. For example, from 1983 to 1985 it used US$300m in foreign investment compared to $2.6bn in Guangdong province. And in one well-known case Nike Inc. moved from Shanghai to Guangdong after negotiating unsuccessfully for two years.

"Reforms are a must, and they will encourage foreign trade and investment," *the businessman said.*

One indication of Shanghai's eagerness to attract foreign investment is that it was one of the first cities to adapt the central government's guidelines on foreign investment to local conditions. Shanghai's 16 points were issued October 23, 12 days after the original version.

But businessmen say Shanghai began implementing more flexible policies before the 16 points came out. City officials said nearly all of Shanghai's 90 Sino-*foreign joint ventures in operation* made money this year. Their net profit for the first half of 1986 was Rmb 52 million.

The Shanghai Volkswagen Automotive Company is an example of one Sino-foreign joint venture taking advantage of the new incentives.

China's official Xinhua News Agency said the company has gained a place in the domestic market, selling all 11,400 "Shanghai-Santana" cars produced so far to buyers in China. A German factory executive said the company made enough profit in 1986 to make up for losses suffered in trial production before September 1985, said Xinhua.

*One major new project is* a US$10m investment by Coca-Cola. The soft drink giant and two Shanghai agencies will set up the first Coca-Cola concentrate factory in China, a plant to bottle Fanta Orange and Sprite and facilities to prepare bases for local soft drinks.

The concentrate plant, expected to start later this year, will supply China and some overseas outlets. One of the plant's advantages is that it will allow the company to *sell concentrate to Chinese bottlers* in Rmb. The two local agencies are the Shanghai Investment Trust Company and Shanghai Food Industry Development Centre.

But the new willingness to encourage foreign businessmen has not infected all of Shanghai's exporters, according to an executive with a major Hong Kong trading company. "They are still more arrogant," he said. "They kind of think, 'We're the best in China, so take it or leave it.' And as *for their main products, textiles and light* industrial goods, they are right up there with the best, although Peking and Nanjing are just as good."

However, innovations in the once-powerful financial area are impressive.

### Financial services

One of the biggest changes is the re-opening of the Bank of Communications, which was set for January 1987. It will *provide wholly state-owned banks with* their first taste of competition in raising money and issuing loans in China and overseas. The state will have a 50 per cent share of the new multiservice bank, individuals up to 5 per cent and the Shanghai government and *various local* enterprises will own the rest.

Among other changes in the financial sector:

- The Shanghai branch of the Construction Bank of China issued bonds for businesses in November.
- A stock exchange began in late September.
- The city's first short-term money market was set up in late August to handle inter-bank loans. Such loans amounted to Rmb 960m in the first 45 days.
- The first two credit cooperatives in Shanghai were due to open around the first of the year. They will be collectively owned, independent businesses handling accounts and loans for collective enterprises and individual businessmen, which are becoming increasingly important.
- The Shanghai branch of the Bank of China asked for permission from the People's Bank to open China's first joint-venture finance company outside of the Shenzhen Special Economic Zone.

At the end of 1986 Shanghai had four leasing companies, 27 banks with investments from foreigners or Overseas Chinese and two investment and trust companies.

The Shanghai Investment and Trust Corporation had links with more than 70 foreign banks and stock companies. It *helped import more than half of the* technology and equipment bought by the city in 1986, and aided 36 overseas companies open local offices.

The corporation also issued bonds worth 25 billion yen in Tokyo in 1986, with 90 per cent of the money used by Shanghai exporters to import advanced technology and equipment.

Shanghai's second bond issue overseas is set for this year, pending approval from Peking. The Shanghai branch of the Bank of China plans to float about US$100m-worth of public bonds in Singapore. The proceeds will be used to fund Shanghai infrastructure development.

The stakes are high for both China and Shanghai in the city's drive to increase its growth and competitiveness. Shanghai's industrial output fell in the first half of 1986 and rose only 3.8 per cent for the year, less than half of the national average. Still, the Rmb 86.3bn output was about 10 per cent of China's total.

Shanghai's increase in exports outstripped the rise in industrial output, shooting up 30 per cent to Rmb 3.6bn. The value of *the city's exports was about 18 per cent of* the national total.

ADVERTISER'S ANNOUNCEMENT

# Improving the infrastructure of Shanghai

*The Bund, Shanghai*

In addition to shaping flexible new policies and attitudes, Shanghai faces the more down-to-earth task of modernising its transportation, housing and communications. It has a fighting chance because the central government now allows the city to retain some 25 per cent from its revenues. Until two years ago the figure was only 10 per cent.

City officials have said the current five-year plan (1986-1990) is essential for plans to economically revitalize Shanghai in the 1990s. From Rmb 9 to 10 billion is to be used through 1990 to improve the city's infrastructure.

## Satellite cities

Construction will be according to a long-range plan drawn up by thousands of experts working since 1979. The main project will be expansion of seven industrial satellite cities, according to China's official Xinhua News Agency.

The two most important cities will be based on China's two major industrial projects, a huge petrochemical plant and the Baoshan steel plant. The city of Jinshan will be on Hangzhou Bay and Wusong will be on the south bank of the Yangtze River. Both will have new factories, foreign trade companies, ports and travel services.

A third important new city, called the Pudong district, will be located facing the *Bund on the Huangpu River.* It includes the construction of a river garden and a 400-metre-high TV tower. Much of the land is now undeveloped.

The plan calls for Shanghai's population to be limited to 13 million by the year 2000. The current population is 12 million.

Shanghai also plans to build a centre for offices and residences for foreigners in its western suburbs. About Rmb 6 billion will be used in the 154-hectare district. Construction is to start this year.

One part of the district will be devoted to cinemas, exhibition halls and 22 apartment buildings and offices. A second area will have 17 consulates, 600 villas and 23 apartment complexes. The other two parts of the district will be residential areas.

Two economic and technological development zones, Hongqiao and Minhang, have been under construction for two years in the outskirts of the city. The zones have plans for joint-venture factories, hotels and apartments for foreign businessmen.

## Public transport

Another main project is an underground railway system. A feasibility study is being submitted to the central government. The study has already gained support from a Japanese Foreign Ministry agency and the Hong Kong underground railway corporation.

More than 20 foreign companies have offered to construct the system singly or jointly. The first 14.41-kilometre line runs through People's Square in the centre of the city from Caohejin to the new Shanghai Railway Station.

The first phase of the system calls for three lines. The city plans to have seven lines in total covering 176 kilometres. Each eight-car train is to carry 60,000 people an hour.

Shanghai also plans to build four tunnels and two bridges across the Huangpu River to help untangle its traffic.

## Hotel accommodation

For the next two years visitors will still find it difficult to get a hotel room in Shanghai at times, said a Hong Kong businessman, even though the Hua Ting Sheraton opened officially last November. The Hua Ting is Shanghai's first modern international hotel, and with 1,008 rooms is the largest hotel in the city.

The scheduled completion of two more international-class hotels in 1988 should improve the situation considerably. And the *Portman Shanghai* is expected to be finished in mid-1989 as part of a US$175-million complex with offices, shopping arcades and apartments.

*The Peninsula Group of Hong Kong* will manage the Portman Shanghai in addition to the Jianguo in Peking and the Garden in Canton. A spokeswoman for the group said the Shanghai hotel will be its first without any Chinese equity investment.

## Port facilities

Shipping can still be a problem with delays ranging up to several weeks. Shanghai officials say the situation will improve in the next three years as the city builds *18 new berths and ugrades 10.* The port added two container berths in late 1985 that can handle second-generation ships.

The city plans to spend US$97 million to renovate Hongqiao Airport. An extension to the airport is scheduled for completion in 1988.

The railway station, now one of the most crowded in China, is to be able to handle 90,000 passengers a day by the end of 1987 compared to 50,000 now.

There have already been major improvements in international communications in the last three years, one foreign businesseman said. However, there are still only 24,000 private phones for seven million people in urban districts. About 32,000 out of 44,000 new lines scheduled for 1986 did not go into operation because of technical problems.

# 16 points for investment in Shanghai

A drop in China's foreign investment early last year, and vociferous complaints from foreign businessmen and diplomats, brought action last October when central authorities issued 22 points to encourage investment. Shanghai, Dalian and Canton soon followed with policies suited to local conditions.

*Shanghai's 16 points given below* are designed to increase investment, partly by lowering taxes and land-use fees. Foreign observers are generally pleased with the incentives, but say the real test is in how they are implemented.

1. To take further steps to facilitate the absorption of foreign investment, introduce advanced technology, expand *exports to generate foreign exchange* and quicken Shanghai's economic development, various districts and departments within the City of Shanghai must seriously implement these provisions apart from the firm implementation of the "Provisions of the State Council of the People's Republic of China for the Encouragement of Foreign Investment."

2. All export enterprises and technologically advanced enterprises shall be exempt from local income tax in accordance with the provisions of the State. After the expiration of this period, those enterprises shall be exempt from local income tax for three years, and afterwards they shall pay the tax at a rate reduced by one half for another three years.

3. After the expiration of the period for the exemption of local income tax in accordance with the foregoing provision, export enterprises whose value of export products in that year amounts to 70 per cent or more of the value of their products for that year shall still be exempt from the local income tax.

4. Except for those located in busy urban sectors, export enterprises and technologically advanced enterprises shall be exempt from land use fees for three years after their establishment. Beginning from the fourth year, the fees *shall be paid* at a 50 per cent rate of the minimum level prescribed in concerned regulations, but they shall not be higher than 2.50 RMB *yuan per square metre per year.*

5. Enterprises with foreign investment shall be exempt from the housing subsidies that would otherwise be paid to the State in accordance with the number of Chinese staff and workers. The enterprises can retain the money as a fund to improve the housing conditions of their Chinese staff and workers.

6. Enterprises with foreign investment may employ and recruit technical and managerial personnel and workers within the territory of Shanghai. These enterprises *may also employ or borrow* the above mentioned personnel from other provinces and cities under the guidance of the labour and personnel department. If they are dismissed, they shall return to where they came from.

7. Export enterprises and technologically advanced enterprises shall be given priority in obtaining water, electricity, *gas, transportation services and communication* facilities needed for their production and operation. Fees shall be computed and charged in accordance with the standards for local state enterprises.

8. Export enterprises and technologically advanced enterprises, after examination by banks with which they open accounts or other financial institutions, shall be *given priority in receiving* loans for short-term revolving funds needed for production amd distribution, as well as for other needed credit.

9. Under the *Shanghai Municipal* Foreign Investment Administration, a foreign investment service will be established. It is designed to offer administrative *service for foreign investors.*

10. Under the supervision of the foreign exchange control department, a foreign exchange adjustment agency will be *established to help enterprises* with foreign investment mutually adjust their foreign exchange surpluses and deficiencies.

11. To facilitate the supply of raw materials for enterprises with foreign investment, a commodities service agency for enterprises with foreign investment will be established.

12. Economic and *technological* development zones will be given greater autonomy, and enterprises with foreign investment established there will be given more preferences. The concrete measures will be promulgated separately.

13. Competent authorities shall give official replies within 30 days from the date of receipt of documents for project proposals from enterprises with foreign investment that are subject to examination and approval by the Shanghai Municipality. The same time limit shall apply to feasibility study reports, contracts and articles of association. Approval certificates will be issued within 10 days after the necessary documents are produced.

14. Matters concerning enterprises invested in and established by companies, enterprises and other economic organisations or individuals from Hong Kong, Macao or Taiwan shall be handled by reference to these provisions.

15. The Shanghai Municipal Foreign Economic Relations and Trade Commission shall be responsible for interpreting these provisions.

16. These provisions went into effect on November 1, 1986.

Shanghai took two major steps towards putting the new plan into action within two and a half months after it was announced. The first was the establishment of the Foreign Currency Adjustment Centre for Enterprises with Foreign Investment in accordance with point number 10.

The centre *allows joint* ventures that lack foreign exchange to buy it from joint ventures that have a surplus. The first transaction took place on November 6 between Shanghai-Foxboro, a Sino-US metre factory, and Shanghai Tourist Service Developing Company.

Shanghai-Foxboro sells its products on the Chinese market for Rmb but needs foreign exchange to import parts and materials. It bought US$50,000 from the tourism company, which needed Rmb to pay its employees.

The other project, the Shanghai Foreign Investment Development Agency, was set up on January 1 to oversee foreign investment affairs as stipulated in point number nine. It is headed by vice-mayor Qian Xuezhong

Among its duties are giving prompt and clear replies to foreign investors who make investment proposals and finding Chinese partners and *consultancy* organizations for foreign businessmen. It also will provide material explaining investment policies, laws and provisions and answer questions about business policies and law. Another function is dealing with foreign investors' correspondence and visits.

# Outward looking Shanghai textiles

*Tong Jian-Hua, General Manager, China National Textiles Import and Export Corpn., Shanghai Home Textiles Branch*

Shanghai's textile producers and traders, China's most experienced, are not resting on their laurels. They have little choice given increased competition from other parts of China and such problems as *lack of space for factory expansion.*

"We're an old company, but we want to improve our products and develop new items," said Shanghai Home Textiles branch general manager Tong Jianhua. "Otherwise we can't develop as a company."

The branch traces its history back several decades through the towels, bed*clothes and thread and tape departments* of the Shanghai Garments branch. Home Textiles was launched in 1984 as the first Chinese textiles trading company specialising in home-use products.

Home Textiles is one of five Shanghai branches of China National Textiles Import/Export Corporation (Chinatex). The other four are Silk, Knitwear, Garments and the Chinatex Shanghai branch, which concentrates on yarn and fabrics.

## Export service

Combining old strengths with new directions worked well for Home Textiles in 1986. Exports rose about 20 per cent from 1985 to US$150m. "Shanghai's experience gives it an advantage in providing services," Tong said.

"For example, if buyers want samples, we supply them promptly," he said. "Shanghai has more than 50 years of experience, so compared to new branches we should be better." He acknowledged, though, that lack of port capacity forces even Shanghai to fall behind in some shipments.

Home Textiles has a number of well-established agents, such as an agent in Denmark who has been with the company for more than 25 years. "They always help *us get information,* and always send us new magazines showing new styles," said Tong. About 80 per cent of Home Textile's products are based on clients' samples, and about 10 per cent are sold through the Canton trade fair.

The branch contacts new clients partly by sending a small group of representatives overseas every year. It also has offices in New York and Japan and plans to set up offices in San Francisco, Los Angeles and Canada. The main markets are the US, Japan and Europe.

The experience of Shanghai's textile workers and factory managers is augmented by new imported machinery. Home Textiles bought US$700,000-worth of foreign equipment in 1985 and sold it to some of the approximately 200 factories it works with. The biggest need is for weaving, dyeing and printing machinery.

The main trend is to higher-value products. "Of course we know that some towels sell for $10 a dozen and others for $70 a dozen," said Tong. Home Textiles now has machinery to make high-priced towels that it could not make three years ago, he said. Much of the branch's growth in income must come from higher-priced goods because of quota restrictions.

## Synthetics

In the past the branch sold bedsheets made only of 100 per cent cotton, but now it also makes a 50/50 cotton/polyester blend and might offer linen in the future. Kitchen sets are being introduced, as are new styles of curtains.

"We're just starting with curtains," Tong said. "We're now importing equipment and getting information on what materials to use."

The branch also handles blankets, with *100 per cent acrylic the most popular* items in some markets. The carpets are

continued

"热烈庆祝1987年上海对外贸易洽谈会开幕"

**Warm congratulations on the opening of SHANGHAI TRADE FAIR 1987, Feb 27-Mar 8.**

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**Warm congratulations on the opening of SHANGHAI TRADE FAIR 1987, Feb 27-Mar 8.**

ADVERTISER'S ANNOUNCEMENT

# Shanghai light industrial products

Shenghai's exports of light industrial products, which along with textiles drive the city's formidable export machine, soared 25 per cent in 1986. But traders are finding that reforms can be an obstacle as well as a catalyst for progress.

China National Light Industrial Products Import/Export Corporation. Shanghai branch, often called SLI, recorded exports worth US$300 million last year. Branch general manager Jia Ciqing said she expected sales to continue to rise in the first half of 1987.

## Domestic demand

"One of the factors holding back increased sales abroad is burgeoning domestic demand," Jia said. Many of China's 800 million peasants earn more money now due to the success of rural reforms.

*Jia Ciqing, General Manager, China National Light Industrial Products Import & Export Corporation, Shanghai Branch*

Chinese factories often prefer to cater to the domestic market than try to meet much higher standards for exports. "We can't order them to produce for us because of industrial reforms; factories now have the final decision on their markets," said Jia.

## Exports

Some increasingly knowledgeable and profit-hungry factories even tried to raise their prices for exports to soak up some of the gains from last year's devaluation of the Chinese currency.

SLI recently began to established export bases consisting of joint ventures with neighbouring townships and factories. It is now negotiating to form export bases for hardware, enamelware and glassware. All together, the branch works with 300 to 400 factories.

SLI also has 5,000 to 6,000 customers around the world and about 250 sales agents abroad. "These overseas links are a prime source of market and technical information," Jia said. And the branch has more than 10 foreign liaison offices, including those in the United States, West Germany, Japan and South-east Asia. Offices are planned for the UK and France.

The branch sends experts to advise factories, Jia said, and often sends factory managers overseas to promote sales and investigate markets.

## Trade Fairs

One major export outlet is the twice-a year Canton trade fair. SLI sells about US$30 million annually through the Canton fair. Sales at the Shanghai Fair scheduled for February 27 to March 8 this year should amount to roughly $7 million. "We have not yet negotiated for joint ventures or compensation trade with foreign businessmen at the Shanghai Fair, but we would like to," said Jia.

Sales to Europe and the United States posted healthy gains last year, but the main market is still South-east Asia, along with Africa and the Middle East. Slightly increasing oil prices will help the Mideast market, and Nigeria, a major customer, before it tightened foreign exchange restrictions, is beginning to issue import licences.

The largest category for exports is hardware, with about US$45 million a year. Household electrical appliances, bicycles, clocks, cosmetics, enamelware and vacuum flasks each bring in about $10 million a year. Most of these products are checked by the Shanghai Quality Control Bureau.

Two separate branches handle toys and sporting goods and stationery.

## New products

SLI offers a variety of new products this year, including a 12-speed bicycle, more cosmetics and small stainless steel knives. It also has improved packing material and new pots with stainless steel bodies and aluminium bottoms to conduct heat more evenly.

But Jia said,"We're still not satisfied. We have a long way to go to improve because we depend on local factories that prefer to serve the domestic market."

# Silk manufacturing in Shanghai

The Shanghai Silk branch is well placed to promote the city's move into higher-value textiles, just as it is doing at the Shanghai No. 9 Knitting Mill.

The branch, which is part of China National Textiles Import/Export Corporation, helped introduce silk garment production seven years ago at the mill. The factory handles weaving, dyeing and printing as well as garment making. Most of its products are undergarments. By 1986, about 70,000 of the 15 million garments made used silk.

Factory director Su Shounan has his sights set even higher. "Italy now is the best at producing good-quality silk garments," he said. "We aim to catch up with Italy and pass them."

The mill is negotiating with French designing firm Noir about an agreement that would provide the Shanghai factory with high-fashion designs. The negotiations are just part of the mill's efforts to improve quality and designs in 1987. It intends to produce silk garments that more closely follow international styles and have smoother surfaces and clearer lines.

Designs now mainly come from samples supplied by the Silk branch and by customers. The factory also studies designs from foreign magazines.

Su asserted the mill's packing is already attractive, and delivery, all by air, is prompt. He visited Japanese mills and department stores about a year ago to check on marketing and production techniques.

## Synthetic products

The Silk branch handles some non-silk knitwear because of its experience with silk knitting mills. It exports all of the silk knitwear from the No. 9 Mill to the United States, and handles all imports of machinery. Some silk-weaving machinery was imported from the UK in 1986.

The branch also exports the polyester sportswear and 100 per cent cottonwear that is the the main product of the Shanghai No. 12 Knitted Goods Mill. All of the mill's products (worth about Rmb 30m in 1986, are exported through the Silk branch. The order book is full through the first half of 1987.

The No. 12 Mill introduces about 100 new products a month, said director Wang Xukan. "We can't put out a catalogue because we add new products so fast," said Wang. "About 10 per cent of the workers focus on designing."

In additon to employing college-educated designers, the factory obtains new styles from customers' samples and magazines and sends repesentatives to examine markets in Japan and Hong Kong. Wang learns about new designs at each session of the Canton trade fair and the Shanghai Fair.

## Decentralisation

The 30-year-old factory is one of many in Shanghai that have solved space problems by expanding into the suburbs. The urban mill still does all weaving and dyeing and much of the garment-making. Wang noted that workers in the mill's seven rural garment factories are not as skilled as those in the city. "But we support the branch factories technologically," he said. "Every month the managers meet here to discuss any problems."

Each garment is checked for quality, and workers' bonuses are based partly on their quality record.

The No. 12 Mill wants to improve further by getting a foreign joint-venture partner through the Silk branch, Wang said, mostly to obtain weaving and dyeing machines. The main trade partners now are Japan, Britain, France, West Germany, the United States and Hong Kong.

# Shoe production and export from Shanghai

Sleepy Zhuan Qiao township appears to be an unlikely export base for Shanghai, especially one using help from Taiwan. Such rural areas, however, are increasingly important for overcrowded Shanghai exporters.

The city's 10 rural counties have 460 factories making exports, said Song Jingshan, deputy section chief of the Shanghai Rural Enterprises Committee. The Zhuan Qiao Shoe Making Factory is one of 25 that have established a joint venture with Shanghai enterprises.

The factory began seven years ago as a branch of the Long March Shoe Factory in Shanghai. The Shanghai branch of the China National Arts and Crafts Import/Export Corporation chose the Zhuan Qiao plant for a joint venture partner in 1985.

## Space

"There was no place to expand at the parent factory," said Lin Guorong, director of the township factory. "And labour is plentiful here because there are many former peasants."

China Art, Shanghai, took advantage of the township shoe factory's strong points by providing Rmb 500,000-worth of machinery. A production line purchased from Taiwan through Hong Kong middlemen allows the plant to make shoes by machine for the first time.

## Investment

Lin said that although the machinery is a big improvement, it uses 10-year-old technology. The factory plans to import a more advanced production line this year.

China Art's investment in machinery gives it a 9 per cent share in the factory, and 9 per cent of the profits. All of the 1.8m pairs of shoes produced in 1986 were exported through the Shanghai China Art branch. The main market is the US, and some are shipped to Europe, Canada and Japan.

## Production

"We increased production by 500,000 pairs in the first year of the joint venture, and quality went up because we follow the international styles more closely," Lin said. China Art often brings foreign traders to the factory, he said, and samples can be made from new styles in one week.

Some styles use canvas mesh, most of which is imported from Taiwan, again through Hong Kong middlemen. Some PU in soles and uppers are also imported. A Sino-Japanese factory in Shanghai provides most nylon.

Of course many foreign businessmen have found imported machinery and materials are not enough if workmanship and management are inadequate. Zhuan Qiao Shoe Making Factory demonstrates that rural factories can make significant progress in these areas.

## Management

To start with, managers and technicians come from Shanghai. Lin also said the factory's Communist Party secretary stays out of management decisions. Many other Chinese factories suffer from interference from Party leaders, who may know or care little about modern production and management techniques.

Lin and other managers get a fixed monthly salary and a year-end bonus based on the factory's profits.

In 1986 the township factory began to use a management technique still new in China: the right to fire lazy workers who refuse to improve. Leaning back with his arms draped over chairs on either side, Lin casually noted that he fired "six or seven" workers last year.

Workers are paid by piecework. A chalkboard in each workshop gives each employee's daily output.

Song of the Shanghai Rural Enterprise Committee said links with urban areas will continue to increase. "The co-operation will become more specialised," he said. "Rural factories will be part of the urban industry. You will not be able to separate the two."

## Shanghai textiles continued

mainly machine made because China National Arts and Crafts Import/Export handles most hand-made products.

Another main line is accessory materials such as threads, tapes, braids and lining materials. Apart from home-use products, the branch exports textile goods for restaurants, theatres, offices and airlines.

Tong said most goods exported by the branch are checked for quality at the factory and again by Home Textiles.

ADVERTISEMENTS FROM

**SHANGHAI**

*The advertisements in this four-page section all originate from Shanghai. Should you require further information from these organisations, please indicate in the boxes provided. Your requests will then be forwarded to the individual companies concerned.*

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CAFCASH Call Fund ... 10.57 | 7.93 | 11.60 | 3-mth
CAFCASH 7-day Fund ... 10.70 | 8.30 | 11.75 | 3-mth

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**The Money Market Trust**
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| BAT | 35 | P & O Dfd | 45 |
| BOC Grp | 28 | Plessey | 16 |
| BSR | 11 | Polly Peck | 16 |
| BTR | 26 | Racal Elect | 15 |
| Babcock | 16 | RHM | 24 |
| Barclays | 42 | Rank Org Ord | 45 |
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| Boots | 22 | Sears | 12 |
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| Comm Union | 28 | Unilever | 140 |
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A selection of Options traded is given on the London Stock Exchange Report Page.

# Jamaican aluminium plan sparks off dispute

By Canute James in Kingston

THE Jamaican Government and Alcan Jamaica, a subsidiary of the Canadian aluminium producer, have agreed t osend to arbitration a dispute over production levels at Alcan's refineries on the island.

The company and the Government have also disagreed over the price at which alumina produced by Alcan should be sold to the Government, which claims it has found international markets for the material.

Alcan operates two refineries in Jamaica, with a combined rated capacity of 1.1m tonnes per year, but it is currently producing at an annual rate of only about 750,000 tonnes per year.

The Government has asked the company to push output to full rated capacity, and has said it will take the alumina which Alcan cannot use, disposing of it on markets which it said it has found.

It is the price at which this additional output will be sold to the Government which has caused the dispute.

"Alcan, it seems, does not want Jamaica to have alumina it can market," says Mr Hugh Hart, the island's Mining Minister. "The company views Jamaica as its competitor, but we have no intention to be in competition with ourselves. We have told Alcan to go to full production, and that we will buy from them what they cannot sell."

Alcan had argued that an increase in production would mean increased competition and depressed prices, and that it had a right to fix prices at which it would sell to the Government.

Mr Keith Panton, Alcan's chief executive in Jamaica, said in a statement to the company's staff that pushing production to full capacity would demand expenditure of $27m, and that the Government was aware of this.

He said also that the company had asked the Government for "firm commitments and not promises" on a change to the system under which the company pays a bauxite production levy to the Government.

The production levy payments by companies operating on the island are indexed at 6 per cent the average realised market price of aluminium ingot.

# Partners sought for Australian mine venture

MIM HOLDINGS of Australia has advertised for joint venture participation in the proposed development of the large high-grade McArthur River lead-zinc-silver deposit in the Northern Territory, reports Reuter from Brisbane.

The deposit, 1.5 km long by 1 km wide and 55 metres thick, contains 227m tonnes of ore averaging 9.2 per cent zinc, 4.1 per cent lead and 41 grammes/tonne silver, MIM said in an advertisement in the Australian Financial Review.

It is located about 100 km south of the Gulf of Carpentaria and about 720 km southeast of Darwin.

"The company proposes to enter discussions with selected interest groups who may be able to bring proven technological expertise, financial capacity and other relevant attributes to a joint venture formed to pursue the McArthur Project," MIM said.

The McArthur River ore is extremely fine-grained, and the inherent problems of the separation of the contained minerals are clearly recognised, it said.

In its annual report MIM said an unacceptably large proportion of the mineral content will not be recovered by normal processing methods due to the fine grain of the ore.

The McArthur River deposit was discovered in 1955. In July 1977, MIM commissioned a 50-tonne-per-day pilot plant at the site to support development work, it said.

This work, which included a pilot mine and infrastructure, continued until December 1978.

In July 1979, MIM submitted a feasibility study on development of the project to the Northern Territory Government.

Since 1979, the research effort has been directed towards hydrometallurgical procedures involving both ore and concentrate products, MIM added.

### LONDON METAL EXCHANGE WAREHOUSE STOCKS

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|---|---|
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| Lead | −5,950 to 33,075 |
| Nickel | −1,030 to 4,610 |
| Tin | −735 to 34,260 |
| inc | −425 to 25,575 |
| | (ounces) |
| Silver | +70,000 to 22,846,000 |

## THE EEC COMMISSION'S PROPOSED AGRICULTURAL PACKAGE

# Scene set for oils tax battle

BY TIM DICKSON IN BRUSSELS

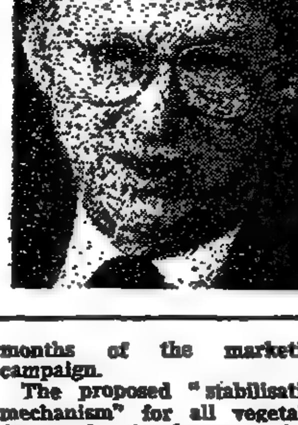
THERE IS a suspicion in Brussels that EEC Commissioners—required by the nature of their calling to put the interests of the Community before national self interest—are too often susceptible to pressure from their own member states.

But nobody was levelling that accusation yesterday at Mr Frans Andriessen, the Community's Dutch Agriculture Commissioner, or at Mr Henning Christopherson, his Danish colleague in charge of EEC budgetary affairs. Both men have fought hard inside the Commission for the most controversial proposal in the farm price package—a new oils and fats tax or "stabilisation mechanism"—which now that it has formally been adopted seems certain to be firmly opposed in the Council of Ministers by (among others) the Dutch and Danish Governments.

Opposition to the new plan is already focusing on the political consequences of increased consumer prices and renewed damage to the EEC's relations with the US. But in presenting his ideas yesterday Mr Andriessen spelt out the dire financial and market conditions which he insists, has made the action necessary.

"There has been an explosive increase in the cost of the oils and fats sector," he told journalists at a Press conference in Brussels. "In 1977 it cost Ecu 268m but this year if nothing is done that figure is likely to increase to Ecu 4bn (£3bn). When the rules of the regime fuly come into effect in Spain and Portugal in the early 1990s, the cost could increase by a further Ecu 2bn."

Part of the Commission's strategy lies in cutting the internal costs of Community support through a series of measures set out in yesterday's package. These include a new system of "maximum thresholds" for olive oil and soya under which aid would be proportionately reduced once production had passed a certain limit, plus a tightening up of systems which already exist in the rapeseed and sunflower seed sectors. The soya threshold, for example, would be fixed at 1.1m tonnes for 1987 (22 per cent more than last season's production) whilst olive oil aid in 1987 would taper off after 1.35m tonnes, slightly more than last year's level. Price reductions (5 per cent for soya and 3 per cent for rapeseed) are also proposed whilst guaranteed EEC "intervention" purchases of olive oil and oilseeds would in future be limited to the last four months of the marketing campaign.



Mr Frans Andriessen claims the scheme is not discriminatory and "could in the long term open up new export possibilities for third countries"

The proposed "stabilisation mechanism" for all vegetable fats and oils, however, is a much more radical (and critics would say dangerous) idea. The Commission points out that the cost of supporting EEC production is highest when consumer prices of oils and fats are low, as they were in 1986 and as threaten to be in 1987. This is because Community payments are based broadly on the difference between a fixed "target" price and the market price—a gap which is obviously at its widest when the latter is low. In these circumstances the Commission says it is "equitable" for consumers to shoulder part of the EEC's financial burden.

Calculation of the new levy, which Mr Andriessen wants to introduce at the beginning of July, will depend on the difference between the average price quoted in the market for refined soya oil over the period from 1980 to 1985 and the price quoted in the previous marketing year. If market conditions were to change and the second figure was higher, a subsidy would be paid — hence the emphasis on "a stabilisation mechanism" rather than a tax.

The new measure would be applied to the crushers of oilseeds, would apply equally to imported and domestic EEC production, and would have a maximum ceiling of Ecu 330 per tonne. Internal Commission estimates suggest that revenue from the tax could exceed

Mr Andriessen yesterday attempted to play down both the cost to consumers and the effect on overall consumption which he claimed had not been affected by price fluctuations over the last five years. The impact on consumers in Northern states, he suggested, "will be less than BFr 10 per person per month" and less in the Mediterranean countries.

# Grain the main target in Brussels economy drive

BY TIM DICKSON

"RESTRICTIVE" farm price packages in the past have generally meant a "freeze" in the level of guaranteed support provided by Brussels. But this time the European Commission is seeking cuts in a number of key sectors. The aim, for example, is to cut the intervention price for feed grains by 2.6 per cent, and wine and sugar by 2 per cent. Overall the impact on the Community of 10 (excluding Spain and Portugal) would be an average price cut in Ecu terms of 0.5 per cent, though in national prices (largely due to green currency adjustments) this would be translated into an average increase of just 0.2 per cent.

Following the action taken at the December Council of Ministers' meeting to curb surpluses in the dairy and beef sector — any prices agreed then will not be altered — Mr Andriessen's main target this time is undoubtedly the cereals sector. The proposed measures include a freeze in the price of breadmaking wheat, a 2.6 per cent decrease in the prices of sorghum and rye (as well as feed grains) and a 2.5 per cent cut for maize. Durum wheat would fall by 4.7 per cent, but half of that will be given back to producers through a subsidy per hectare.

Contrary to earlier expectations the 3 per cent tax on overplanning to limit the period of guaranteed intervention purchases from the present seven months to four in future (February to May). The idea is to give producers an incentive to find an outlet on the market.

**ESTIMATED IMPACT OF THE PROPOSED CHANGES ON FARMERS' PRICES**

(per cent)

| | In ECUs | In national currencies |
|---|---|---|
| W. Germany | −0.3 | −2.5 |
| France | −0.5 | +1.7 |
| Italy | −0.9 | +0.2 |
| Netherlands | −0.1 | −2.4 |
| Belgium | −0.2 | −0.2 |
| Luxembourg | −0.2 | −0.2 |
| UK | −0.4 | +2.7* |
| Ireland | −0.2 | +1.5 |
| Denmark | −0.5 | −0.5 |
| Greece | −0.8 | +2.4† |
| Spain | +1.0 | +5.2 |
| Portugal | +0.3 | +0.3 |

* Assumes 4 per cent green pound devaluation. † Assumes 5 per cent green drachma devaluation.

Source: US Department of

The system of "monthly increments"—essentially private storage payments—will be retained during the new intervention period though the level will be reduced from Ecu 2.45 to Ecu 2 per tonne per months.

Key points for other sectors include a price freeze for rice and intervention reduced to four months (April to July) plus a sugar reduction of 2 per cent along with a new levy on producers to make up for the Ecu 180m of losses in the regime last year.

Besides the prices themselves the Commission yesterday emphasised the importance of so called "connected measures." In particular, it drew attention to its policy of reinforcing the notion of "co-responsibility" (citing the sugar levy and new limits on aid for olive oil and soya producers); the restrictions on intervention (cereal, olive oil, beef and milk) in line with the philosophy that the mechanism should be seen primarily as a "safety net;" improved quality standards for products sold into Community stores (the Commission, for example, is putting forward the idea for a subsidy for the production of Indica rise, which is much in demand); and the problems of certain producers.

Independently of its so-called socio-structural measures currently under discussion in the Council of Ministers—essentially inducements to older farmers to retire early and abandon their land and payments to others to reduce production—the Commission for example is suggesting special payments for small cereal producers and an increase in the production aid for small olive oil growers.

# Agri-money problems remain

BY TIM DICKSON

EUROPEAN COMMISSION plans to cut guaranteed EEC cereals prices will provoke cries of anguish from Bonn and from the powerful West German farm lobby. But the new "agri-monetary" proposals spelt out by Mr Frans Andriessen in Brussels yesterday will be seen as adding insult to injury. If approved by the Council of Ministers in their forthcoming negotiations over the package, they would mean a further reduction in EEC support for the Netherlands and West Germany.

The Commissioners' lengthy sessions over the past couple of weeks on Mr Andriessen's package probably devoted more time to the complex question of green currencies (notional exchange rates used to convert common Ecu denominated Community farm prices into national currencies, and associated monetary compensatory amounts than to any other issue. MCAs are a system of border taxes and subsidies designed to even out the impact on cross-border trade of currency difference.

The broad problem facing Mr Andriessen was how to stop his restrictive price package being undermined by the green currency devaluations — and hence price increases in national currency terms — which accompany the dismantling of negative MCA's (taxes on the exports and subsidies on the imports of weak currency countries).

The Commission's immediate plans, revealed yesterday involve dismantling all negative MCA's (except in the UK and Greece where they will come down by only 4 and 5 respectively) created before the January 12 realignment of the European Monetary System. This results in positive price adjustments for the countries concerned. The Commission proposal also to do away with positive MCAs for West Germany and Holland retained since 1984—itself a clear commitment made at the time by Ministers—will mean price reductions in national currency terms for those countries.

The method of calculating future MCAs, meanwhile, is likely to be equally controversial. Contrary to Mr Andriessen's earlier wishes, the Commission has decided to stick to the basis of the present system. This is tied to the strongest currency in the EMS—effectively the D-Mark—and involves only the creation of new negative MCAs.

Where these are the consequence of a strong currency revaluation, the Commission's contention is that they are "artificial" and is proposing that when dismantled through a green currency devaluation there would be an accompanying and similar reduction in the common Ecu price. This would be done in two stages, half in the year after the realignment, the other half in the subsequent year.

Where negative MCAs are created as the result of a currency's devaluation, the consequent opportunity for a price increase is likely to be allowed in national currency terms.

Longer term the Commission's hope — expressed yesterday — is that in line with the objective of a unified internal market the system of green currencies can be discontinued from 1992.

# Broken Hill miners agree to changed working practices

BY CHRIS SHERWELL IN SYDNEY

COMPANIES OPERATING the important lead and zinc mines at Broken Hill, New South Wales, are looking forward to more productive operations following belated union agreement to changed work practices last weekend.

The agreement marks an important breakthrough in a protracted industrial dispute which has threatened the survival of the mines and resulted in a damaging eight-week strike last year.

Although separate issues must still be resolved, the companies — North Broken Hill and CRA — say they now have an opportunity to compete with other mines abroad.

The breakthrough came when the unions accepted the view of Mr Justice Cahill of the New South Wales Industrial Commission that their demands for an upgraded pension and severance scheme should be kept distinct from the work practices issue.

The judge expressed his view last week following a vote by the unions last month not to accept his decision backing the mining companies' demands for numerous changes in safety codes and work practices.

The unions had sought an improvement in the pension scheme in an apparent bid to secure better terms for unavoidable changes in work practices. But at mass meetings on Saturday and Sunday they finally reversed their position.

Among the changes which will lead to more efficient operations, the mining companies will be able to fire explosives during mid-shift meal breaks as well as at the end of each shift. Mineworkers will also return to work within 30 minutes of a firing, instead of one hour.

In addition maintenance work will now be carried out between shifts, and certain types of mining will become possible across a full 21 shifts per week —a number which is itself a big increase on the 10 shifts worked before the dispute began.

The mine management now wishes to combat other inefficient work practices which hinder the free flow of materials in the mine and result in overmanning. The companies say that individually these have only a small effect on output, but cumulatively have a significant impact.

With the pension fund issue also to be settled, and the three-year industrial agreement due to expire in may, labour relations at Broken Hill seem likely to remain fragile.

# India moves to lift cotton forward trading ban

BY R. C. MURTHY IN BOMBAY

THE Indian Government is ready to lift a 20-year ban on forward trading in cotton.

The measure is part of the relaxation of controls on the Indian economy initiated by Mr Rajiv Gandhi's Government which will gradually allow a free play of market forces.

The cotton trade has been lobbying for forward trading in cotton for several years, but doctrinaire approach to economic issues and heavy shortfalls in domestic production in the past precluded such a change in policy.

The decision to reintroduce cotton futures now is influenced partly by a good cotton crop for the second year running and a sharp fall in domestic prices which has created unrest among cotton growers.

In the cotton year that began in September 1986, the crop was set at 10.5m bales of 170 kilos each, though the estimate was subsequently reduced to 9.5m bales following crop damage. Prices of long staple cotton fell by 25 per cent late last year.

The East India Cotton Association, which was administering forward trading earlier, is "given the mandate to establish the required infrastructure. Mr K. R. Dample, advisor to EICA, says trading is to open an August 1987 contract in April,

Though EICA has about 150 members, many traders are not willing to take up cotton broking. Many traditional cotton brokers, who shifted to stock trading after the government imposed a ban on cotton futures, do not wish to return. The recent boom in Indian stock markets has kept them fully occupied.

To begin with, futures trading will be confined to four varieties of long-staple cotton, which the government considers to be in surplus.

# Japanese gold imports record

JAPANESE gold imports, excluding coins, rose to 38.4 tonnes in December from 8.8m in November and 25.4m a year earlier, Customs figures show."

Imports for the year reached a record 607.8 tonnes, more than three times the 196.8 tonnes imported in 1985, itself a record.

The December imports included the Government's final purchases of gold for com memorative coins to mark the 60th year of Emperor Hirohito's reign.

Japan's 1986 imports accounted for about half of the 1,200 tonnes of gold mined in the non-Communist world last year.

The yen's steep rise against the dollar also boosted demand for private hoarding and jewellery. Imports in 1987, however, will plunge to below half of last year's level as the Government has no plans to buy gold and private demand is expected to decline.

# LONDON MARKETS

COFFEE PRICES, which have been trading close to their lowest levels for 18 months, drifted down yesterday after the Brazilian Coffee Institute (IBC) confirmed over the weekend that it planned to sell coffee it had bought in a price-support operation in Europe last year. On the London Commodity Exchange coffee for May delivery closed at £1,511 a tonne, down £36 on Friday's close. Cocoa prices also slipped slightly, moving near to a seven-month low, as traders said there was plenty of material available to the market, including unwanted deliveries ready for resale. Sugar prices drifted down despite news of an impending tender for two cargoes from Sri Lanka following on India's purchase of five cargoes on Friday. On the London Metal Exchange, aluminium was the main focus of attention with a 3,775-tonne fall in LME warehouse stocks prompting further prices increases following on last week's gains. With shortages in the market for metal for immediate delivery, the premium for cash metal over three-months widened to £5.75 a tonne.

## ALUMINIUM

| | Unofficial close (p.m.) £ per tonne | + or − | High/Low |
|---|---|---|---|
| Cash | 863-4 | +3.5 | 863/862 |
| 3 months | 857-7.5 | +2.5 | 859/845 |

Official closing (am): Cash 862-3 (849.5-50), three months 855-6 (850-50.5), settlement 863 (850). Final Kerb close: 862-3. Turnover: 27,150 tonnes.

## COPPER

| Grade A | Unofficial close | + or − | High/Low |
|---|---|---|---|
| Cash | 895-5.5 | +6.25 | 895.5/895 |
| 3 months | 908-8.5 | +1 | 910/906 |

Official closing (am): Cash 895-5.5 (899.5-900.5), three months 907-7.5 (911-1.5), settlement 895.5 (900.5). Final Kerb close: 910-10.5.

| Standard | | | |
|---|---|---|---|
| Cash | 867-8 | +2.5 | 866/865 |
| 3 months | 887-8 | +0.75 | — |

Official closing (am): Cash 865-6 (868-9), three months 887-9 (890-2), settlement 866 (869). US Producer prices: 64-67.50 cents a pound. Total Turnover: 20,053 tonnes.

## LEAD

| | Unofficial close (p.m.) £ per tonne | + or − | High/Low |
|---|---|---|---|
| Cash | 301-1.5 | −0.25 | 301.5 |
| 3 months | 302.5-3 | −0.5 | 304/301 |

Official closing (am): Cash 301.5-1.75 (299.5-300.5), three months 303-3.5 (301.5-2), settlement 301.75 (300.5). Final Kerb close: 301-1.5. Turnover: 7,875 tonnes. US Spot: 24-27 cents a pound.

## NICKEL

| | Unofficial close (p.m.) £ per tonne | + or − | High/Low |
|---|---|---|---|
| Cash | 2430-5 | +20 | 2439/2425 |
| 3 months | 2450-5 | +10 | 2460/2450 |

Official closing (am): Cash 2,430-40 (2,415-8), three months 2,445-8 (2,538-40), settlement 2,440 (2,418). Final Kerb close: 2,455-60. Turnover: 1,455 tonnes.

## ZINC

| High grade | Unofficial close (p.m.) £ per tonne | + or − | High/Low |
|---|---|---|---|
| Cash | 491-2 | +7.25 | — |
| 3 months | 484-5 | +3.75 | 485/477 |

Official closing (am): Cash 484-5 (485.75-6), three months 480.5-1 (482.5-3), settlement 485 (486). Final Kerb close: 485-6. Turnover: 8,125 tonnes. US Prime Western: 38.50-44 cents per pound.

## TIN

KUALA LUMPUR TIN MARKET—Close: 17.01 (same) ringgit per kg.

## GOLD

Gold closed unchanged at $397-397½ on the London bullion market yesterday. Trading was very quiet, with New York closed for President's Day. The metal opened at $397¼-398¼, and was fixed at $397.20 in the morning and $397.25 in the afternoon. It opened at the day's high, and touched a low of $396¾-397¼.

| GOLD BULLION (fine ounce) Feb. 16 | | |
|---|---|---|
| Close | $397-397½ | (£260¼-260¾) |
| Opening | $397¼-398¼ | (£260¼-260¾) |
| M'n'g fix | $397.20 | (£259.829) |
| Aft'n'n fix | $397.25 | (£260.492) |

| GOLD AND PLATINUM COINS | | |
|---|---|---|
| Am Eagle | $409-414 | (£269-272¼) |
| Mapleleaf | $407¼-412¼ | (£258¼-271¼) |
| Kr'g'r'nd | $400-405 | (£253¼-265¼) |
| ½ Krug | $203-204 | (£133¼-134¼) |
| ¼ Krug | $92¼-93¼ | (£60¾-61½) |
| Angel | $406-409 | (£267-269) |
| 1/10 Angel | $40½-45½ | (£26¾-30) |
| New Sov. | $95-96 | (£62¼-63¼) |
| Old Sov. | $95-96¼ | (£62½-63½) |
| $ 20 Eagle | $480-550 | (£315¾-348¾) |
| Noble Plat | $526-534 | (£346-351¼) |

## SILVER

Silver was fixed 1.5p an ounce lower for spot delivery in the London bullion market yesterday at 356.5p. US cent equivalents of the fixing levels were: spot 545.1c, up 2.35c; three-month 553.8c, up 2.3c; six-month 562.2c, up 2.55c; and 12-month 579.85c, up 2.8c. The metal opened at 358½-360½p (548-550c) and closed at 357-359p (545-547c).

| SILVER per troy oz | Bullion Fixing Price | + or − | L.M.E. p.m. Unofficial | + or − |
|---|---|---|---|---|
| Spot | 356.50p | −1.50 | 355p | −3 |
| 3 months | 365.80p | −1.80 | 365.5p | −3.5 |
| 6 months | 374.85p | −1.90 | — | — |
| 12 months | 393.00p | −2.15 | — | — |

LME—Turnover: 2 (1) lots of 10,000 ounces.

Three months high/low 366p.

## SOYABEAN MEAL

Good commercial selling reflecting weaker cash prices pushed values down to new contract lows. Some option hedge buying was evident, reports Muirpace.

| | Y'sterd'ys close £ per tonne | + or − | Business done |
|---|---|---|---|
| Feb. | 122.0-124.0 | −0.50 | — |
| April | 114.0-115.9 | −0.25 | 114.5 |
| June | 111.0-111.5 | −0.50 | 111.5-111.4 |
| August | 111.5-112.2 | −0.30 | 111.8 |
| October | 114.0-115.0 | −0.25 | 115.0-114.5 |
| Dec. | 115.9-118.0 | −0.40 | 117.0 |

Sales: 616 (110) lots of 20 tonnes.

## COFFEE

Trade selling kept the market under pressure as buying was limited to price-reports, reports Drexel Burnham Lambert. Persistent selling pushed levels lower and, without a New York market to contribute any arbitrage business, the traded volume was comparatively light.

| COFFEE | Yesterday close | + or − | Business Done |
|---|---|---|---|
| Mar. | 1511-1512 | −19.0 | 1528-1510 |
| May | 1510-1512 | −23.0 | 1525-1510 |
| July | 1529-1530 | −33.0 | 1548-1530 |
| Sept. | 1555-1557 | −26.5 | 1571-1560 |
| Nov. | 1590-1598 | −28.5 | 1610-1587 |
| Jan. | 1625-1629 | −11.5 | 1630-1530 |
| Mar. | 1610-1629 | −50.0 | — |

Sales: 2,710 (1,300) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for February 13: Comp. daily 1979 114.95 (116.14); 15-day average 117.32 (117.64).

## COCOA

During an exceedingly quiet session futures remained within a £8 range and closed virtually unchanged on the day. Physicals were equally neglected and neither producers nor consumers were seen to trade, reports Gill and Duffus.

| COCOA | Yesterday's close £ per tonne | + or − | Business done |
|---|---|---|---|
| March | 1307-1309 | −3.5 | 1312-1307 |
| May | 1338-1339 | −1.0 | 1340-1336 |
| July | 1367-1368 | +0.5 | 1369-1364 |
| Sept. | 1396-1397 | +1.0 | 1398-1392 |
| Dec. | 1418-1420 | +0.5 | 1420-1418 |
| March | 1446-1448 | — | 1448-1445 |
| May | 1466-1468 | −1.5 | 1468-1465 |

Sales: 1,579 (2,611) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for February 13: 1,527.52 (1,524.04); 10-day average for February 16: 1,541.70 (1,540.64).

## COTTON

LIVERPOOL — Spot and shipment sales for the week commencing February 9 amounted to 570 tonnes against 396 tonnes in the previous week. Relatively slow trading saw dealings in American, Colombian, Egyptian, Russian, Turkish, Greek and East and West African varieties.

## GRAINS

| | WHEAT | | BARLEY | |
|---|---|---|---|---|
| Mnth | Yest'rdy's close | + or − | Yest'rdy's close | + or − |
| Mar | 117.70 | −0.85 | 115.35 | −1.10 |
| May | 118.80 | — | 117.50 | −1.05 |
| July | 120.90 | −0.10 | — | |
| Sep. | 99.55 | −0.15 | 98.90 | −0.30 |
| Nov. | 101.90 | +0.10 | 101.45 | |
| Jan. | 104.60 | +0.20 | 104.30 | −0.10 |
| Mar. | 107.20 | +0.20 | 105.68 | |

Business done—Wheat: March 117-70-7.85, May 118.80, July untraded, Sept 99.70-9.55, Nov 101.90-1.70, Jan 104.55, March 107.20. Sales: 33 lots of 100 tonnes. Barley: March 115.45-5.25, May 117.55-7.40, Sept 99.00, Nov 101.45-1.35, Jan 104.35-4.30, March untraded. Sales: 44 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 1, 15 per cent: March 102.25, April/May 98.50. US No 2 Soft Red Winter: March 101.75, July 90.75. French 11½-12 per cent: Jan 142.50. English feed, fob: Feb 120.50 sellers, March 121.50-121.75, April/June 123.00-123.50 buyer/sellers, June 124.00 buyer, Sept 101.00-101.25, Oct/Dec 105.00-106.00 buyer/sellers. Maize: US No 3 Yellow/French, transhipment East Coast: 1st-half Feb 144.50. Barley: English feed, fob: Feb 118.00 English, March 121.00 English, 120.50 English/Scottish, April/June 120.00 English, 122.00 English-Scottish, sellers unles otherwise stated.

HGCA — Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne. Feed Barley E. Midlands 115.00, N. East 115.50. The UK monetary coefficient for the week beginning Monday February 23 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

## POTATOES

Opening values were £2.00 higher than pre-weekend levels, encouraging some further buying and triggering limited stop-loss orders to register gains of over £4.00 before short-term profit-taking eased prices. Afternoon trade was thin, with little inspiration coming from Holland, and the closing tone was uncertain with levels in mid-range, reports Coley and Harper.

| Month | Yesterday's close £ per tonne | Previous close | Business done |
|---|---|---|---|
| Apr. | 151.90 | 149.20 | 155.50-151.00 |
| May | 175.90 | 173.00 | 177.00-175.50 |
| Nov. | 88.30 | 88.00 | — |
| Feb. | 97.80 | 98.00 | — |
| Apr. | 115.50 | 115.50 | — |

Sales: 908 (1,425) lots of 40 tonnes.

## MEAT

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 92.37p per kg lw (−0.82). GB—Sheep 175.42p per kg est dcw (−5.68). GB—Pigs 75.89p per kg lw (−0.47).

FUTURES—Pigs: April 95.40, June 94.50, Aug 94.50. Sales 11. Live cattle: April 97.00. Sales: 2.

## SUGAR

| No. 6 Contract | Y'st'rdy's close | Previous close | Business done |
|---|---|---|---|
| | $ per tonne | | |
| Mar. | 175.2-175.4 | 176.4-176.8 | 177.8-175.0 |
| May | 178.2 178.4 | 179.8-180.0 | 179.0-178.0 |
| Aug. | 180.4-180.6 | 181.8-182.2 | 181.8-180.5 |
| Oct | 181.2-181.8 | 185.0-185.2 | 182.0-181.8 |
| Dec. | 182.0-183.0 | 184.0-186.0 | — |
| Mar. | 186.2-186.6 | 189.0-189.4 | 186.8 |
| May | 189.0-190.0 | 190.0-192.0 | — |

Sales: 1,156 (2,236) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £230.00 (£229.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for February 13: Daily price 7.52 (7.55); 15-day average 7.45 (7.43).

LONDON DAILY PRICE—Raw sugar $180.00 (£124.50), up $2.00 (up 50p) a tonne for March/April delivery. White sugar $204.50, up $6.50.

PARIS—(FFr per tonne): May 1270-1280, Aug 1310-1325, Oct 1340-1350, Dec 1370-1385, March 1400-1415, May 1420-1460.

## FREIGHT FUTURES

| | Close | High/Low | Prev. |
|---|---|---|---|
| | Dry Cargo | | |
| April | 780/787 | 787/785 | 785/787 |
| July | 669/675 | 672/670 | 669/676 |
| Oct. | 775/780 | 780/777.5 | 775/779 |
| Jan. | 800/810 | — | 796/810 |
| Apr. | 810/815 | — | 800/830 |
| July | 667/705 | — | 700/710 |
| Oct. | 810 | — | 780 610 |
| Jan. | 750 | — | 840 |
| BFI. | 888 | | 888 |

Turnover: 50 (153).

## TEA

Demand continued to improve at the London tea auction, where 40,870 packages, including 9,200 offshore, were on offer, reports the Tea Brokers' Association. Colouy Assam CTC's met keen competition and gained 5-15p, but lesser mediums were irregular with plainest difficult of sale. Bangladesh teas came in for a little more enquiry, but were mostly several pence lower where sold. East Africans were again well supported and brighter lines closed 3-6p higher, with mediums 2-4p dearer. Clean colouy Central Africans also advanced, but plainer types were irregular and sometimes neglected. Quality Ceylons and bright mediums met good demand at dearer rates, but others lost 3-5p. Offshore teas received much better enquiry than of late and sold readily at fully firm to dearer rates. Quotations: Quality 172p a kg nominal (172p nom); medium 138p a kg (135p); lower medium 82p a kg (80p).

## INDICES

### REUTERS

| Feb. 13 | Feb. 12 | M'th ago | Year ago |
|---|---|---|---|
| 1609.5 | 1614.9 | 1568.2 | 1856.4 |

(Base: September 18 1931=100)

### DOW JONES

| Dow Jones | Feb. 13 | Feb. 12 | M'th ago | Year ago |
|---|---|---|---|---|
| Spot | 114.12 | 114.08 | — | 126.59 |
| Fut | 116.09 | 115.25 | — | 125.94 |

(Base: December 31 1931=100)

## MAIN PRICE CHANGES

| | Feb. 16 1987 | + or − | Month ago |
|---|---|---|---|
| **METALS** | | | |
| Aluminium | | | |
| Free Market | $1570/580 | +10 | $1545/555 |
| Copper | | | |
| Cash Grade A | £895.25 | +0.25 | £870.25 |
| 3 mths | £908.25 | +1 | £892. |
| Gold Troy oz. | $397.25 | | $432 |
| Lead Cash | £301.25 | −0.25 | £288.75 |
| 3 mths | £302.75 | −0.5 | £290.75 |
| Nickel | | | |
| Free Mkt | 167/187c | +1 | 159/179c |
| Palladium oz. | $130.00 | +0.65 | $127.25 |
| Platinum oz | $512.00 | +0.50 | $550.00 |
| Quicksilver† | $175/180 | | $150/160 |
| Silver troy oz. | 356.50p | −1.50 | 367.45p |
| 3 mths | 365.80p | −1.80 | 377.00p |
| Tin | | | |
| free Mkt. | £4470/500 | −10 | £4510/540 |
| Tungsten | $44.51 | | $41.44 |
| Wolfram 22.0lb | $39/45 | | $35/45 |
| Zinc | £491.5 | +7.25 | £488 |
| 3 mths | £484.5 | +3.25 | £484.5 |
| producers | $770/790 | | $820 |
| **OILS** | | | |
| Coconut (Phil) | $427.5y | +2.5 | $445 |
| Palm Malayan | $337.5v | −5 | $350 |
| Copra (Phil) | $285 | | $280 |
| Soyabean (U.S.) | $138 | −1 | $141 |
| **GRAINS** | | | |
| Barley Fut. May | £117.50 | −1.05 | £112.85 |
| Maize | £144.50 | | £143.00 |
| Wheat Fut. May | £118.80 | | £115.85 |
| No. 2 Hard Wint. | ‡ | | ‡ |
| **OTHERS** | | | |
| Cocoa Ft. May | £1338.5 | −1 | £1415 |
| Coffee Ft. May | £1511 | −36 | £1547.5 |
| Cotton A Ind.* | 66.70c | −0.15 | 65.90c |
| Gas Oil Apr. | $144.25 | −2.5 | $161 |
| Rubber (kilo) | 64p | −1 | 65.5p |
| Sugar (raw) | $180z | +2 | $155.5 |
| Wooltops 64s | 418p kilo | | 421p kilo |

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. y-Feb-March. v April. z March-April.

## GAS OIL FUTURES

| Month | Yestrdy's close US $ per tonne | + or − | Business Done |
|---|---|---|---|
| Mar | 143.75 | −2.75 | 146.00-43.75 |
| Apr. | 144.25 | −2.50 | 146.25-44.00 |
| May | 143.50 | −2.50 | 144.00-43.00 |
| June | 144.00 | +0.25 | 144.00-03.00 |
| July | 142.00 | −2.00 | — |

Turnover: 1,979 (2,239) lots of 100 tonnes.

## OIL

Crude oil trading was almost at a standstill with the US market closed and traders gathering in London for IPE week. The petroleum products markets were also quiet inthe build-up to IPE week—Petroleum Argus, London.

| | Latest | Change + or − |
|---|---|---|
| CRUDE OIL—FOB ($ per barrel)—Mar. | | |
| Arab Light | — | — |
| Arab Heavy | — | — |
| Dubai | 16.60-16.95 | +0.075 |
| Brent Blend | 17.35-17.40 | −0.10 |
| W.T.I. (1pm est) | — | — |
| Forcados (Nigeria) | — | — |
| Urals (cif NWE) | — | — |
| PRODUCTS—North West Europe Prompt delivery cif ($ per tonne) | | |
| Premium gasoline | 173-175 | — |
| Gas Oil | 141-143 | −2 |
| Heavy fuel oil | 85-87 | +2.5 |
| Naphtha | 154-156 | — |

Petroleum Argus estimates

US Markets were closed yesterday for George Washington's birthday.

# CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

## Dollar drifts quietly

THE DOLLAR drifted quietly on the foreign exchanges yesterday. New York was closed for the celebration of President's Day, and there were no new factors to influence trading in Europe and the Far East. Rumours continued about an early meeting of the Group of Five, but dealers were sceptical about the success of any possible agreement on setting currency target zones, unless there is a move towards greater international economic co-operation.

Dealers awaited further economic guidance from Thursday's revision of fourth quarter US Gross National Product growth, and also noted that on the same day Mr Paul Volcker, chairman of the US Federal Reserve Board, and Mr James Baker, US Treasury Secretary, are due to make speeches before Congress.

Mr Baker was interviewed on US TV yesterday, but his comments had little impact.

The dollar fell to DM 1.8220 from DM 1.8295; to FFr 6.0675 from FFr 6.0965; to SFr 1.54 from SFr 1.5480; and to Y153.55 from Y153.70.

On Bank of England figures the dollar's index fell to 104.0 from 104.3.

**STERLING—Trading range against the dollar in 1986-87 is 1.5555 to 1.3700. January average 1.5071. Exchange rate index fell 0.1 to 68.7, compared with 71.7 six months ago.**

Sterling attracted little attention on the foreign exchanges yesterday, remaining on the sidelines. There was a further slight easing of North Sea oil prices. UK economic figures were rather disappointing. January retail sales fell 2.6 per cent, compared with 1.1 per cent in December. Forecasters were looking for a fall of 0.5 per cent to 1.5 per cent. The fall of 0.6 per cent in January industrial production, reflected a sharp decline in energy output of 3.2 per cent. This more than offset a rise of 0.4 per cent in manufacturing production. Expectations for overall output were for a rise of 0.3 per cent to 0.5 per cent.

After a firm opening against the dollar the pound closed at its lowest level of the day, losing 10 points to $1.5190-1.5200. Sterling also fell to DM 2.7675 from DM 2.7825; to FFr 9.22 from FFr 9.27; to SFr 2.34 from SFr 2.3525; and to Y233.25 from Y233.75.

***D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. January average 1.8568. Exchange rate index 148.6 compared with 139.1 six months ago.***

The D-Mark moved a little firmer against the dollar in quiet Frankfurt trading. The Bundesbank did not intervene when the dollar fell to DM 1.8131 from DM 1.8341 at the fixing. The US currency eased from the opening of DM 1.8180 after Mr James Baker said the dollar's fall so far had been orderly and moderate. It dipped below DM 1.81 just before the fixing but rose again because of technical support at around DM 1.8125. Trading was quiet, because of the holiday in New York.

The dollar closed at DM 1.8175 in Frankfurt, compared with DM 1.8290 on Friday.

**JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.30. January average 154.62. Exchange rate index 289.6 against 218.1 six months ago.**

The yen closed little changed in Tokyo. Trading was quiet, ahead of the US holiday. Dealers were reluctant to take out positions, because of continuing rumours about an imminent G-5 meeting. There was no reaction to a remark by Mr Satoshi Sumita, Governor of the Bank of Japan, that reference ranges are not being considered in preparations for a possible meeting. The dollar closed at Y153.75, compared with Y153.95 in Tokyo on Friday. Dealers saw nothing new in Mr Sumita's comments, and looked head to speeches scheduled from Mr Paul Volcker, and Mr James Baker, on Thursday.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu February 16 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 42.7020 | +0.57 | +0.57 | ±1.5344 |
| Danish Krone | 7.85212 | 7.77821 | −0.94 | −0.94 | ±1.6404 |
| German D-Mark | 2.05853 | 2.06184 | +0.16 | +0.16 | ±1.0981 |
| French Franc | 6.90403 | 6.86556 | −0.55 | −0.55 | ±1.3674 |
| Dutch Guilder | 2.31943 | 2.32920 | +0.42 | +0.42 | ±1.5012 |
| Irish Punt | 0.768411 | 0.774616 | +0.81 | +0.81 | ±1.6684 |
| Italian Lira | 1483.58 | 1467.26 | −1.10 | −1.10 | ±4.0752 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### £ IN NEW YORK

| Feb 16 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.5260-1.5270 | 1.5265-1.52[illegible] |
| 1 month | 0.54-0.52 pm | 0.54-0.53 pm |
| 3 months | 1.63-1.59 pm | 1.64-1.61 pm |
| 12 months | 5.65-5.55 pm | 5.65-5.55 pm |

Forward premiums and discounts apply to the U.S. dollar.

### STERLING INDEX

| | Feb. 16 | Previous |
|---|---|---|
| 8.30 am | 68.9 | 68.7 |
| 9.00 am | 68.8 | 68.7 |
| 10.00 am | 68.8 | 68.7 |
| 11.00 am | 68.8 | 68.7 |
| Noon | 68.8 | 68.7 |
| 1.00 pm | 68.8 | 68.7 |
| 2.00 pm | N/A | 68.8 |
| 3.00 pm | 68.8 | 68.8 |
| 4.00 pm | 68.7 | 68.8 |

### CURRENCY RATES

| Feb. 16 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | N.A. | 0.743946 |
| U.S. Dollar | 5.5 | " | 1.13675 |
| Canadian $ | 8.20 | " | 1.52120 |
| Austrian Sch. | 4 | " | 14.5004 |
| Belgian Franc | 8½ | " | 42.7020 |
| Danish Krone | 7 | " | 7.77821 |

### POUND SPOT—FORWARD AGAINST THE POUND

| Feb. 16 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.5190-1.5295 | 1.5190-1.5200 | 0.535-0.505c pm | 4.11 | 1.58-1.53 pm | 4.09 |
| Canada | 2.0305-2.0475 | 2.0305-2.0315 | 0.61-0.52 c pm | 3.34 | 1.64-1.49 pm | 3.08 |
| Neth'lands | 3.11½-3.13 | 3.11½-3.12½ | 1⅜-1¼ c pm | 5.04 | 4⅛-3⅞ pm | 5.20 |
| Belgium | 57.10-57.50 | 57.10-57.20 | 15-11 c pm | 2.73 | 42-35 pm | 2.69 |
| Denmark | 10.41-10.47¼ | 10.41-10.42 | ⅜ore pm-1⅛ dis | −0.29 | 1⅜-¼ dis | 0.07 |
| Ireland | 1.0370-1.0430 | 1.0395-1.0405 | 0.25-0.35 p dis | −3.46 | 0.75-1.15 dis | −3.65 |
| W. Germany | 2.76-2.77¼ | 2.76½-2.77¼ | 1½-1⅛ pf pm | 5.96 | 4½-4⅛ pm | 6.32 |
| Portugal | 214.46-216.28 | 214.50-215.35 | 76-141c dis | −6.06 | 277-390 dis | −6.21 |
| Spain | 194.84-196.20 | 194.85-195.10 | 18-43 c dis | −1.88 | 65-97 dis | −1.66 |

MONEY MARKETS

## London rates lower

INTEREST RATES were lower in London yesterday, reflecting continued optimism about the possibility of a cut in UK clearing bank base rates around the time of the Budget. Weekend press comment gave the market sufficient encouragement to look for lower rates but the authorities were a little more cautious. Several factors such as the performance of sterling and the dollar, oil prices and rumours of a G-5 meeting as well as election rumours were all factors to be taken into account.

The Bank of England gave less help than the published forecast which tended to keep short term rates firm. Overnight interbank money traded between 10¾ per cent and 12 per cent while three-month money eased to 10{illegible}-10{illegible} per cent compared with 11-10⅞ per cent.

**UK clearing bank base lending rate 11 per cent since October 15**

The Bank forecast a shortage of around £1,200m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £816m and Exchequer transactions a further £725m. In addition banks brought forward balances £15m below target. These were partly offset by a fall in the note circulation of £340m. To help alleviate the shortage, the Bank offered an early round of assistance which totalled £68m and comprised outright purchases of eligible bank bills in band 1 at 10⅞ per cent.

The forecast was revised to a shortage of arond £1,000m before taking into account the early help and the Bank gave additional assistance in the morning of £252m through outright purchases of eligible bank bills, £121m in band 1 at 10⅞ per cent, £79m in band 2 at 10{illegible} per cent and £52m in band 3 at 10¾ per cent.

Once again the forecast was revised, this time to a shortage of around £950m and the Bank gave additional help in the afternoon of £280m through outright purchases of £23m of eligible bank bills in band 1 at 10⅞ per cent and £161m in band 2 at 10{illegible} per cent. In band 3 it bought £16m of Treasury bills and £80m of eligible bank bills all at 10¾ per cent. Late help came to £155m, making a total of £755m.

In Frankfurt the Bundesbank announced its intention to offer funds through a sale and repurchase agreement at a fixed rate of 3.80 per cent. The market had been expecting some action from the authorities even though there is no expiring agreement this week. This is because banks face a considerable call on funds as corporate customers draw money to meet mid-month tax payments. Call money was quoted at 3.90-4.00 per cent with dealers sure that the Bundesbank would ensure that interest rates were not pushed above 4 per cent so as not to put upward pressure on the D-Mark.

FINANCIAL FUTURES

## Short sterling firm

PRICES FOR three-month sterling deposits were firmer in the London International Financial Futures Exchange yesterday although trading was confined to a relatively narrow range. Trading volume was affected by the closure of Chicago for President's Day.

Short sterling opened at 89.30 for March delivery and moved firmer as buyers were attracted by a widening of the reverse yield curve. The latter reflected continued optimism about the possibility of a cut in UK clearing bank base rates some time around the March budget. Dealers noted a rise in UK industrial production in the manufacturing sector of 0.4 per cent in December while the overall figure fell by 0.6 per cent. A fall in UK retail sales of 2.6 per cent appeared to have little effect. The March price for three-month sterling deposits touched a high of 89.36 before closing at 89.35 compared with 89.28 on Friday.

Gilt prices opened steady at 116-12 for March delivery and moved to a high of 116-14. However there was no follow-through demand and values eased back to a low of 116-05 in the afternoon before closing at 116-06 against 116-04 on Friday.

Three-month Euro-dollar deposits for June delivery, the contract attracting most of the volume, opened at 93.51 and appeared to show little reaction to comments made by Mr James Baker, US Treasury Secretary, concerning the dollar's recent decline. With trading volume already suffering because of the closure of Chicago, dealers were also reluctant to take out positions ahead of Thursday's revision to US 4th quarter GNP. In addition there was some uncertainty ahead of Mr Volcker's testimony on the same day. The June price closed at 93.48, the day's low and down from 93.59 on Friday.

### LIFFE LONG GILT FUTURES OPTIONS

| Strike Price | Calls—Last Mar. | Calls—Last June | Puts—Last Mar. | Puts—Last June |
|---|---|---|---|---|
| 106 | 10.12 | 10.33 | 0.00 | 0.07 |
| 108 | 8.12 | 8.42 | 0.00 | 0.16 |
| 110 | 6.12 | 6.54 | 0.00 | 0.28 |
| 112 | 4.12 | 5.13 | 0.00 | 0.51 |
| 114 | 2.13 | 3.50 | 0.01 | 1.24 |
| 116 | 0.37 | 2.40 | 0.25 | 2.14 |
| 118 | 0.04 | 1.46 | 1.56 | 3.20 |
| 120 | 0.00 | 1.04 | 3.52 | 4.42 |

Estimated volume total, Calls 253 Puts 296

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike Price | Calls—Last Mar | Calls—Last June | Puts—Last Mar. | Puts—Last June |
|---|---|---|---|---|
| 90 | 8.52 | 8.01 | 0.00 | 0.11 |
| 92 | 6.52 | 6.15 | 0.00 | 0.25 |
| 94 | 4.52 | 4.43 | 0.00 | 0.51 |
| 96 | 2.54 | 3.17 | 0.02 | 1.27 |
| 98 | 1.06 | 2.11 | 0.18 | 2.21 |
| 100 | 0.10 | 1.18 | 1.22 | 3.28 |
| 102 | 0.02 | 0.51 | 3.14 | 4.61 |
| 104 | 0.00 | 0.28 | 5.12 | 6.38 |

Estimated volume total, Calls 0 Puts 0

### LIFFE FT-SE 100 INDEX FUTURES OPTIONS

| Strike Price | Calls—Last Feb | Calls—Last Mar | Puts—Last Feb | Puts—Last Mar |
|---|---|---|---|---|
| 17250 | 22.15 | 22.19 | 0.00 | 0.04 |
| 17500 | 19.65 | 19.73 | 0.00 | 0.08 |
| 17750 | 17.15 | 17.31 | 0.00 | 0.16 |
| 18000 | 14.65 | 14.95 | 0.00 | 0.30 |
| 18250 | 12.15 | 12.70 | 0.00 | 0.55 |
| 18500 | 9.65 | 10.40 | 0.00 | 0.75 |
| 18750 | 7.15 | 8.50 | 0.00 | 1.43 |
| 19000 | 4.72 | 6.77 | 0.07 | 2.12 |

Estimated volume total, Calls 51, Puts 4

# £ WORLD VALUE OF THE POUND

**The table below gives the latest available rate of exchange for the pound against various currencies on February 16, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.**

*Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.*

| COUNTRY | CURRENCY | VALUE OF £ STERLING |
|---|---|---|
| Afghanistan | Afghani | 99.20 |
| Albania | Lek | 10.11 |
| Algeria | Dinar | 7.07 |
| Andorra | French Franc | 9.22 |
| | Spanish Peseta | 194.975 |
| Angola | Kwanza | 46.837 |
| Antigua | E. Caribbean $ | 4.13 |
| Argentina | Austral | 2.1110 |
| Aruba | Florin | 2.7351 |
| Australia | Australian $ | 2.3070 |
| Austria | Schilling | 19.435 |
| Ghana | Cedi | 232.256 |
| Gibraltar | Gibraltar £ | 1.0 |
| Greece | Drachma | 203.74 |
| Greenland | Danish Krone | 10.4150 |
| Grenada | E. Caribbean $ | 4.13 |
| Guadaloupe | Local Franc | 9.22 |
| Guam | U.S. $ | 1.5195 |
| Guatemala | Quetzal | 1.5195 / (F) 4.1090 |
| Guinea | Franc | 519.45 |
| Guinea-Bissau | Peso | 260.46 |
| Panama | Balbao | 1.5195 |
| Papua New Guinea | Kina | 1.4412 |
| Paraguay | Guarani | 365.93 / 1024.60 |
| Peru | Inti | (excto)21.73 / (F) 30.49 / (Fn) 27.17 |
| Philippines | Philippine Peso | 30.73 |
| Pitcairn Islands | £ Sterling | — |
| | New Zealand $ | 2.8130 |
| Poland | Zloty | 365.58(16) |

# LONDON SHARE SERVICE

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Five to Fifteen Years

Over Fifteen Years

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## INDUSTRIALS—Continued

| 1986/87 High | Low | Stock | Price | + or − | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 102 | 70 | Metsec 10p | 86 | +2 | 12.4 | 2.6 | 4.0 | 13.3 |
| 78½ | 45 | Macnell Cons | 58½ | −½ | 1.5 | 2.1 | 3.6 | 15.0 |
| 128 | 81 | Monks & Crane 10p | 124 | +2 | L2.7 | 2.9 | 3.1 | 15.2 |
| 328 | 210 | Morgan Crucible | 328 | +15 | 8.5 | 1.5 | 3.6 | 21.8 |
| 23½ | 15½ | Morris (W) F.A. 20p | 20 | .... | — | — | — | — |
| 182 | 65 | Myson Grp 10p | 182 | +4 | 2.63 | 2.6 | 2.0 | 23.5 |
| 365 | 213 | NMW Computers | 290 | −5 | 16.0 | 3.0 | 2.9 | 16.7 |
| 163 | 27 | Nash Inds. | 163 | +7 | 1.5 | 2.6 | 1.3 | 41.3 |
| 27½ | 12½ | Neil & Spencer 10p | 18 | −½ | — | — | — | — |
| 40 | 28 | Newman Inds 10p | 39½ | +½ | 0.8 | 1.5 | 2.9 | 30.2 |
| 134 | 65 | Noble & Lund 10p | 98 | +2 | 0.7 | 4.3 | 1.0 | 32.3 |
| 158 | 152 | Nobo Group 10p | 152 | −1 | 4.75 | 2.8 | 4.4 | 11.6 |
| 65 | 39 | Nolton | 49 | .... | 1.2 | 2.9 | 3.4 | 14.0 |
| 152 | 96 | Norank Systems 5p | 145 | .... | 1.5 | — | 1.5 | 38.6 |
| 286 | 187 | Norcros | 285 | +4 | 9.3 | 2.3 | 4.6 | 13.8 |
| 262 | 49 | Nu-Swift 5p | 259 | −3 | 3.5 | 2.1 | 1.9 | 34.8 |
| £356½ | £228 | OCE 9pc Cnv 1987-92 | £262½ | .... | Q9% | — | 3.5 | — |
| 136 | 80 | Oakwood Grp | 130 | +2 | 4.0 | ♦ | 4.3 | ♦ |
| 250 | 173 | Office & Elect | 196 | +3 | 8.5 | 2.9 | 6.1 | 8.0 |
| 34 | 26 | Omnitech 1p | 32 | .... | — | — | — | — |
| 36 | 18 | Optometrics $0.01 | 21 | .... | — | — | — | — |
| 890 | 500 | Oriflame £1 | 840 | +5 | 28.5 | 2.1 | 4.8 | 16.3 |
| 20 | 9 | Overstone 12½c | 8½ | .... | Q3.23d | 1.9 | 11.8 | 4.5 |
| 142 | 85 | PCT Grp 10p | 137 | .... | 3.2 | — | 4.8 | — |
| £20½ | £13¾ | PLM 'B' Sk 25 | £17¼ | −¼ | Q24% | ♦ | 3.7 | ♦ |
| 255 | 160 | Pacer Systems $0.01 | 162 | .... | 3.84c | 4.3 | 1.6 | 14.2 |
| 218 | 97 | Pacific Dunlop $0.5 | 218 | .... | Q11.36d | 2.1 | 2.2 | 21.9 |
| 78 | 44 | Pacific Sales 10p | 70 | −3 | 3.0 | 1.4 | 6.0 | 16.7 |
| 528 | 246 | Parker Knoll 'A' | 459 | −3 | 12.0 | 3.2 | 3.7 | 12.0 |
| 238 | 83 | Parkfield Group 2p | 238 | +8 | 3.6 | 4.2 | 2.1 | 15.2 |
| 53 | 17 | Paxton Ind | 30 | −1 | — | — | — | 8.0 |
| £130 | £64½ | Do 11pc CvLn '94-02 | £95½ | .... | Q11% | — | 11.5 | — |
| 617 | 393 | Pearson | 571 | +11 | 10.0 | 2.8 | 2.5 | 18.6 |
| 65 | 12 | Peek Holdings 3p | 58½ | +½ | — | — | — | — |
| 176 | 88 | Peerless | 160 | .... | 6.3 | 2.0 | 5.5 | 10.9 |
| 622 | 141½ | Pentland 10p | 622 | +10 | 0.75 | 22.4 | 0.2 | 35.2 |

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## THIRD MARKET

## NOTES

## REGIONAL & IRISH STOCKS

**Account Dealing Dates**

| *First Dealings | Option Declara-tions | Last Dealings | Account Day |
|---|---|---|---|
| Feb 9 | Feb 19 | Feb 20 | Mar 2 |
| Feb 23 | Mar 5 | Mar 6 | Mar 16 |
| Mar 9 | Mar 19 | Mar 20 | Mar 30 |

" New time dealings may take place from 9.00 am two business days earlier.

# Increased optimism of tax-cutting Budget lifts equity indices to highest-ever levels

Blue chip issues powered to record levels yesterday as domestic investors pinned their faith on a tax-cutting Budget and lower interest rates next month. Gaining further encouragement from the Wall Street trend on Friday—US financial centres were closed yesterday—the UK equity market was buoyant from the opening. The main stock indices made relentless progress and, for only the second time, the FT-SE 100 share burst above 1900. It closed up 27.7 at a peak 1925.8 while the FT Ordinary share rose 21.1 more to a best-ever 1542.1.

Market stories of a major "buy" programme, rumoured to involve £220m, provided extra thrust although the two security houses said to be effecting the deal both denied participation. A small portfolio trade, comprising buying and selling orders, was completed and it was thought possible that a larger deal could be scheduled for later in the week.

*Consumer-related* stocks were the natural forerunners of the movement and maintained their momentum despite disappointing retail sales figures for January. Analysts immediately blamed the fall of 2.6 per cent on last month's adverse weather. Also lost in the general market euphoria was a sharper-than-expected rise in UK unit wage costs last year.

US favourites, including **Glaxo** and **Imperial Chemical Industries**, were marked up to the price levels reached in New York on Friday, and immediately gained more ground. The buying was entirely UK-based with most US markets being closed for the Presidents' Day holiday. The preliminary statement from ICI is due on Thursday week. **British Gas**, a registered stock from yesterday, attracted the day's heaviest trade, closely followed by **Hanson Trust**; *traded option activity in the latter* was again substantial.

Conventional Government bonds were restrained by currency uncertainty, and the absence of a guide from the US bond market. Hopes that the G5 nations would eventually reach *accord on exchange rate stabilisation* were dashed as the dollar came under renewed pressure. The weakness was attributed partly to James Baker, the US Treasury Secretary, who said that a rapidly falling dollar could re-ignite US inflation.

Gilt *futures* were also static. Few tick changes appeared on the screens and attention was diverted to the index-linked sector. Election and inflation possibilities, which received a good deal of publicity in the weekend Press, touched off renewed hedge buying, against both equity and Gilt commitments.

The impact was greater at the untapped longer end of the sector and selected issues jumped over two points before easing to close around 1½ points higher on balance. Stocks in the area of the new short tap, **Treasury 2 per cent** 1992, slipped further although prospects for the £400m issue by tender look good.

## Composites wanted

*Composites continued to lead the* Insurance sector higher ahead of the forthcoming dividend season. **Royals**, scheduled to report preliminary figures on February 26, closed a further 29 higher at 993p. **General Accident** also advanced 24 at 948p and **GRE** put on 18 at 892p. **Commercial Union**, *a strong market* towards the end of last week on rumours of a bid from "down under," reacted initially to 345p before rallying late as talk of an offer resurfaced and closed unaltered on balance at 348p, after 350p. Elsewhere, **Equity and Law**, *still reflecting the 20 per cent stake* held in the company by Mr Ron Brierley's IEP Securities, moved up 4 more to 344p, while **Abbey Life** rose 7 to 248p. **Pearl**, a possible bid target for TSB, gained 6 to 379p. Lloyds Brokers firmed in places with **C. E. Heath** notable for a rise of 13 at 448p.

**Hill Samuel** and **Kleinwort Benson**, which both recently suffered sharp falls in reaction to the proposed changes in the banking bill which will give the Bank of England greater powers to control acquisitions of large stakes in UK banks, rallied well yesterday; the former closed 14 dearer at 452p and the latter 19 up at 597p. Among Hire Purchases, **Combined Lease Finance** advanced 11 to 159p in response to press comment, while **Provident Financial** closed 7 higher at 328p.

Breweries attracted more interest than *of late amid hopes* that the sector will come off lightly in the forthcoming Budget. A reasonably good trade developed in **Allied Lyons** (3.6m shares) which featured a rise of 15 at 373p. **Scottish and Newcastle** improved 11 to 222p.

*The majority of leading* Building issues made fresh progress although gains for the most part were fairly modest. **BPB Industries**, however, attracted useful support ahead of a broker's visit to the company and rose 18 to 628p, while **Tarmac** gained 10 to *523p*. **Redland** *edged up a few* pence to 485p, as did **RMC**, to 771p. **Marley**, helped by Press comment, added 2½ to 141½p. Against the trend, **Blue Circle**, a firm market in recent days following the ending of the cement price cartel, came back 6 to 705p following profit-taking, but **Cement Roadstone** revived strongly after Press comment to close 8 higher at 187p. Elsewhere, **AMEC** firmed 6 to 318p, while **John Mowlem**, again boosted by overseas demand, moved up 8 more to 420p. Speculative buying took **Ben Bailey** up 13 to 55p, while demand ahead of the results due on Thursday and Friday respectively lifted **Ward Holdings** 8 to 388p and **Polypipe** 11 to 211p. Favourable comment stimulated **Wiggins**, finally 9 higher at 175p, and **Raine Industries**, which closed 5½ up at 89p.

Domestic and overseas demand ahead of next week's preliminary results left **ICI** ⅛ higher at £13½. *Allied Colloids were also sup*ported and rose 17 to 282p.

## Stores rise

The prospect of tax cuts in next month's Budget and an acceleration in consumer spending con*tinued to underpin leading Stores.* **Burton** led the advance with a rise of 12 to 273p and **Next** firmed 6 to 293½p. **Harris Queensway** put on 4 to 206p and **Marks and Spencer**, additionally helped by a Wood Mackenzie "buy" recommendation, closed 3 better at 211p. Elsewhere, **Fine Art Developments** responded to reports of a bumper sale of St Valentine's Day cards with a speculative gain of 7 to 233p, while hopes of a bid from Compagnie de Navigation Mixte SA helped **Lee Cooper** put on 17 afresh to 383p. **Excalibur Jewellery**, which more than doubled in price last week on news of the acquisition of a near-30 per cent stake in the company by Summit Holdings, a company owned by Mr M. S. Griffiths, advanced 4 more to 43p. Reports of a broker's circular lifted **Alexon** 6 to 249p while improvements of 11 and 18 respectively were seen in **Mrs Field**, 164p, and **Superdrug**, 463p. Among Shoe concerns, **Newbold and Burton**, at 91p, lost 11 of Friday's leap of 42 which followed news of the bid from Peter Black.

Firm conditions prevailed among leading Electricals. **GEC** improved 2 to 217p with the help of week-end Press comment. **Thorn EMI** jumped 9 to 549p and **Cable and Wireless** appreciated 6 at 382p. A Fleming "buy" recommendation ahead of the results scheduled for early next month helped **STC** move up 7 to 226p. Elsewhere, **BSR**, also the subject of a Fleming circular ahead of the figures on March 2, firmed 7 to *125p*. **Bowthorpe** *jumped 16 to* 639p, while Press-inspired improvements of 4 and 7 respectively were seen in **Thermal Scientific**, 230p, and **Scantronic**, 130p. Among smaller priced stocks, **Humberside Electronics** jumped 6½ to 23½p and **Oceonics** gained *10 at 30p*. **IBL**, *still reflecting* hopes of a substantial West German acquisition put on 3 more to 88p.

Sporadic demand ahead of the preliminary figures scheduled for next Monday left **Vickers** up 9 more at 495p. Other leading Engineering issues also traded on a firm note. **Hawker** improving 9 to 546p and **GKN** 5 to 546p. Elsewhere, **TI** featured a gain of 16 to 603p on a revival of investment demand, while Press mention enlivened interest in **Manganese Bronze** 6 firmer at 120p. **Laird Group** encountered buyers at 276p, up 12, and **Thomas Robinson**, still reflecting acquisition news, improved 11 more to 361p.

The Food sector displayed numerous features. **Avana** remained firmly in the limelight, rising a further 36 to 724p on speculation about a possible counter to the unwelcome Ranks Hovis McDougall bid for the company. **Associated British Foods**, a shade dearer at 337p, were mentioned as a possible rival suitor for Avana, although there was also talk that Fitch Lovell could enter the battle. **Ranks Hovis McDougall** itself, went better to close 8 higher at 328p; on Friday, Goodman Fielder of Australia, increased its holding in RHM to 14.56 per cent. Persistent bid speculation was also good for **Cadbury Schweppes**, up 12 more at 262p, while a flurry of speculative buying lifted **Barker and Dobson** 17 to 175p. **Hillsdown** rose 9 to 258p as the company announced two more acquisitions, while **Christian Salvesen** firmed 6 to 163p in reply to a broker's recommendation. Dealings in **Home Farm** resumed at 155p with a close of 138p compared with the suspension price of 113p following details of the *agreed offer from* **E. T. Sutherland**, 7 down at 63p.

Sharply higher on Friday reflecting consortium takeover hopes, **Trusthouse Forte** eased back on profit-taking to close 4 easier at 222p. **Grand Metropolitan**, however, rose 8 to 507p and **Ladbroke** firmed 8 more to 444p. Elsewhere in Hotels, **London Park** rose 14 to 652p awaiting news of bid approach.

## Glaxo advance

Pharmaceutical shares provided some outstanding gains, with **Glaxo** *closing ⅛ higher at £13⅞ on domes*tic demand in the wake of firmness on Wall Street last Friday. **Fisons** featured a gain of 40 at 634, while **Beecham** advanced strongly to close 11 higher at 516. **Wellcome**, in contrast, met with profit-taking and reacted 5 to 369p. Elsewhere, **Hanson Trust** continued to advance in extremely active trading ahead of an expected presentation of the company and closed 6 to the good at 167p. **Pilkington**, partly reflecting bullish comment on the Building sector, advanced 16 to 716p, while **Trafalgar House** improved 6 to 331p. Further demand for **British Vita**, up 27 at 370p, found the market none-too-well supplied with stock. Weekend Press mention prompted a gain of 18 to 718p in **Williams Holdings**, while others to respond to newspaper mention included **Hunter**, up 33 at 478p, **Robertson Research**, 9 higher at 116p, **Fobel**, 7 dearer at 74p, and **Spring Ram**, a like amount better at 276p. **Guthrie** were in demand and put on 13 to 191p, but **Jacksons Bourne End** encountered profit-taking and fell 30 to 505p. **Pentland**, still reflecting recent US expansion moves, put on 10 more to 622p. **Parkfield** improved 8 to 238p in belated response to acquisition news, while satisfactory interim figures prompted a gain of 3 to 328p in **Dalgety**. Dealings were temporarily suspended in **Thermax** at 174p, up 2, following the announcement of talks which may lead to an offer for the company. The approach has been made from a party other than Suter, which owns a 27.8 per cent stake in Thermax.

Among Leisure issues, buyers came in for **Media Technology** in front of today's half-timer and the price rose 15 to 120p. **Pleasurama** gained 10 to 359p on bid hopes, while **WSL** revived strongly and gained 10 to 177p.

Motor Distributors showed **Lookers** 11 higher at 306p on hopes of a bid from **T. Cowie**; the latter slipped 3 to 292p. **Alexanders** added ½ to 16½p awaiting today's annual results, while **Appleyard** moved up 7 to 193p in a restricted *market*.

Advertising Agency **Gold Greenless Trott** advanced 18 to 236p on news of two new Accounts obtained by the company, from Royal Insurance UK and a subsidiary of Music Corporation of America. **Trade Promotions** advanced 7 afresh to 263p on further consideration of the bid approach from EMAP, while **DRG** reflected revived takeover hopes with a gain of 11 at 380p. **Goodhead Print** rose 10 to 200p in response to the bumper interim results and chairman's accompanying bullish remarks about second-half prospects.

Among Properties, **Land Securities** met with persisent interest and moved up 5 to 365p, while **MEPC** rose 8 to 366p. **Hammerson A** were firm again at 485p, up 10, while **Peachey**, awaiting tomorrow's half-timer, added 2½ to 320½p. Buyers came in for **Laing Properties**, finally 14 higher at 360p and **London and Metropolitan**, 10 to the good at 212p. **Citygrove** gained 25 to 123p following the excellent results, while **Egerton Trust** put on 7 to 125p ahead of today's preliminary statement.

## BP edge higher

Although underperforming the equity market in general, the oil sector nevertheless managed to make progress despite an easier trend in crude oil prices following news that Egypt had reduced its oil prices. **British Gas** moved up late and closed 2½ up at a high of 73p, while **BP**, a weak market last week reflecting reports that two leading investment houses had reduced their profit *forecasts*, were much steadier and edged up 3 to 769p *ahead of Thursday's fourth-quarter* results. Other leading oils registered small gains across the board. Rises of around 2 or 3 were common to **Britoil**, 185½p, **YASMO**, 186p, and **Enterprise**, 204½p. **IC Gas** were unsettled by profit-taking after the upsurge last week on news of the proposed hiving off of the Calor Gas and Contibel subsidiaries and dipped 5 to 632p.

Irish exploration stocks turned easier with **Atlantic Resources** 2 cheaper at 38p. **Bula Resources**, however, remained a firm market on speculative support and rose ½ to 5¼p.

Elsewhere, **Petrogen** jumped 6 to 29p in response to a newsletter recommendation. **New London** put on 2 to 36p; Greenwood Resources had disposed of its 4.3m shares in the company, affiliates of Guinness Peat acquiring 2.15m and Sidro SA the other 2.15m. **Charterhall** were a shade easier at 42½p in the wake of news that the company has acquired a 12.4 per cent stake in Trilion and intends to expand in manufacturing and industrial services industries.

Surging UK equities, a sedate performance by metal prices and the closure of the New York market, effectively wiped out interest in mining sectors. The UK Financial sector provided one of only a handful of firm features in **Rio Tinto-Zinc** which, staging a strong rally after recent weakness triggered by the ending of the cement producers cartel and a sell circular from Warburg Securities, moved up 18 to 760p. **Consolidated Gold Fields**, on the other hand, moved narrowly to end the session 3 off at 744p.

Currency influences played the *major part in lowering the Gold* Mines index 2.4 to 306.3, its third consecutive decline.

Australians were additionally burdened by overnight news of a disappointing balance of payments performance during January, which was accompanied by a sharp fall in the Australian dollar. Leading diversified mines and Golds were badly *affected. In the* former group **Western Mining**, which also unveiled a same again interim and marginally higher profits, lost 14 to 250p, while **CRA** gave up 8 to 304p and **Renison** 6 to 498p.

## Traded Options

A heavy call option demand for **Hanson Trust** featured the day's proceedings in the Traded Option market. Here, nearly 15,000 calls were struck out of the grand total of 55,592. **British Gas** were also *fairly* active with 4,500 calls and 1,246 puts done, while **British Airways** recorded 2,152 calls and 1,726 puts.

## Traditional Options

- **First dealings** Feb 2 Feb 16 Mar 2
- **Last dealings** Feb 13 Feb 27 Mar 13
- **Last declaration** May 7 May 28 June 11
- **For Settlement** May 18 June 8 June 22

*For rate indications see end of Unit Trust Service*

Call options were taken out in **Wellcome**, *H. Young*, **Alexander Holdings**, **Abaco**, **Rotaprint**, **American Business Systems**, **London Securities**, **Combined Technologies**, **Chloride**, **Kellock**, **Sound Diffusion**, **Aran Energy**, **Barham**, **Polymark**, **London International**, **BOC**, **Hughes Food**, *Magnet Southerns*, **Elswick**, **Virgin Group**, **Rivlin**, **Burndene**, **Burton**, **Peek Holdings**, **Amstrad**, **Trusthouse Forte**, **Atlantic Resources**, **Barker and Dobson**, **FJC Lilley**, **Johnson and Firth Brown**, **Dares Estates**, **Astra Holding**, **STC**, **Morgan Grenfell**, **Fobel**, **Tysons**, **Marley**, **Silentnight**, **Fairline Boats**, **Brake Bros.**, **S. Banks**, **Hyman**, **BA**, **Dewey Warren** and **Storehouse**. **Wellcome** and **London International** were dealt in for the put, while double options were arranged in **Rotaprint** and **Sears**.

## FINANCIAL TIMES STOCK INDICES

| | Feb. 16 | Feb. 13 | Feb. 12 | Feb. 11 | Feb. 10 | Year ago | 1986/87 High | 1986/87 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 86.08 | 86.18 | 85.86 | 85.80 | 86.00 | 83.00 | 94.51 (18/4/86) | 80.39 (20/1/86) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 92.93 | 92.82 | 92.73 | 92.67 | 92.81 | 88.06 | 97.68 (7/7/86) | 86.55 (23/1/86) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary ♥ | 1,542.1 | 1,521.0 | 1,501.0 | 1,508.9 | 1,493.0 | 1,220.7 | 1,542.1 (16/2/87) | 1,094.3 (14/1/86) | 1,542.1 (16/2/87) | 49.4 (26/6/40) |
| Gold Mines | 306.3 | 308.7 | 319.0 | 320.7 | 318.5 | 320.4 | 357.8 (22/9/86) | 185.7 (18/7/86) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Div. Yield | 3.68 | 3.75 | 3.78 | 3.77 | 3.81 | 4.28 | | | | |
| Earnings Yld.%(full) | 8.68 | 8.81 | 8.90 | 8.86 | 8.95 | 10.32 | | | | |
| P/E Ratio (net) (*) | 14.13 | 13.91 | 13.77 | 13.83 | 13.68 | 12.08 | | | | |
| SEAQ Bargains (5 pm) | 48,129 | 41,120 | 44,204 | 42,758 | 46,321 | — | | | | |
| Equity Turnover (£m) | — | 1,355.11 | 1,484.53 | 1,581.92 | 1,365.0 | 904.49 | | | | |
| Equity Bargains | — | 55,809 | 65,420 | 59,661 | 62,033 | 39,689 | | | | |
| Shares Traded (ml) | — | 499.1 | 520.1 | — | 543.1 | 410.2 | | | | |

**S.E. ACTIVITY**

| Indices | Feb. 13 | Feb. 12 |
|---|---|---|
| Gilt Edged Bargains | 128.1 | 124.2 |
| Equity Bargains | 361.6 | 423.9 |
| Equity Value | 2739.0 | 3000.6 |
| 5-Day Average | | |
| Gilt Edged Bargains | 131.2 | 134.1 |
| Equity Bargains | 395.2 | 402.6 |
| Equity Value | 3235.6 | 3427.9 |

♥ Opening 1530.9 | 10 a.m. 1533.3 | 11 a.m. 1533.2 | Noon 1536.6 | 1 p.m. 1538.5 | 2 p.m. 1541.1 | 3 p.m. 1542.1 | 4 p.m. 1542.9

Day's High 1544.2. Day's Low 1530.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=13.59.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

## FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| | EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Mon Feb 16 1987 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (ACT at 29%) | Est. P/E Ratio (Net) | xd adj. 1987 to date | Fri Feb 13 Index No. | Thurs Feb 12 Index No. | Wed Feb 11 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (209) | 820.82 | +1.2 | 7.76 | 3.21 | 16.33 | 0.98 | 811.12 | 805.14 | 808.08 | 637.67 |
| 2 | Building Materials (27) | 998.52 | +1.3 | 7.84 | 3.26 | 16.02 | 0.56 | 985.48 | 982.58 | 975.71 | 676.36 |
| 3 | Contracting, Construction (28) | 1384.54 | +1.0 | 6.95 | 3.38 | 19.79 | 0.90 | 1370.84 | 1364.08 | 1364.91 | 993.64 |
| 4 | Electricals (12) | 1983.96 | +1.2 | 7.59 | 3.96 | 16.90 | 0.44 | 1960.59 | 1954.48 | 1969.32 | 1735.96 |
| 5 | Electronics (38) | 1826.73 | +0.9 | 8.12 | 2.26 | 16.26 | 5.85 | 1809.72 | 1790.96 | 1818.04 | 1595.82 |
| 6 | Mechanical Engineering (61) | 469.41 | +1.6 | 8.57 | 3.54 | 14.91 | 0.58 | 462.21 | 458.26 | 458.81 | 349.97 |
| 8 | Metals and Metal Forming (7) | 426.72 | +1.3 | 8.57 | 3.48 | 14.18 | 0.00 | 421.38 | 420.58 | 422.28 | 282.12 |
| 9 | Motors (15) | 321.43 | +1.6 | 8.55 | 3.26 | 13.48 | 0.00 | 316.26 | 317.08 | 318.07 | 254.78 |
| 10 | Other Industrial Materials (21) | 1409.31 | +1.0 | 6.34 | 3.88 | 18.86 | 0.17 | 1395.68 | 1376.64 | 1380.30 | 1143.27 |
| 21 | CONSUMER GROUP (186) | 1119.30 | +1.8 | 6.58 | 2.83 | 19.56 | 1.69 | 1099.02 | 1082.41 | 1086.29 | 813.34 |
| 22 | Brewers and Distillers (22) | 1043.88 | +1.8 | 8.19 | 3.32 | 15.35 | 0.00 | 1025.42 | 1018.99 | 1028.68 | 815.46 |
| 25 | Food Manufacturing (25) | 857.26 | +2.0 | 7.79 | 3.31 | 16.87 | 1.30 | 840.50 | 830.14 | 829.37 | 591.32 |
| 26 | Food Retailing (16) | 2077.39 | +0.9 | 6.47 | 2.62 | 21.46 | 9.56 | 2059.80 | 2042.11 | 2044.38 | 1773.97 |
| 27 | Health and Household Products (10) | 2146.05 | +3.1 | 4.43 | 1.77 | 26.19 | 0.02 | 2080.97 | 2005.19 | 1998.94 | 1369.36 |
| 29 | Leisure (31) | 1145.29 | +0.9 | 6.59 | 3.63 | 20.00 | 7.39 | 1134.91 | 1110.50 | 1117.60 | 825.36 |
| 31 | Packaging & Paper (14) | 590.59 | +1.8 | 5.99 | 2.84 | 21.69 | 0.38 | 580.33 | 576.83 | 578.07 | 413.67 |
| 32 | Publishing & Printing (14) | 3522.85 | +2.2 | 5.76 | 3.24 | 22.30 | 3.41 | 3446.03 | 3436.66 | 3442.77 | 2048.17 |
| 34 | Stores (37) | 939.91 | +1.4 | 6.92 | 2.88 | 19.91 | 1.24 | 926.69 | 918.27 | 927.95 | 764.31 |
| 35 | Textiles (17) | 676.52 | +1.1 | 7.79 | 3.00 | 14.78 | 0.00 | 669.33 | 661.67 | 662.04 | 447.91 |
| 40 | OTHER GROUPS (87) | 947.40 | +1.2 | 8.07 | 3.50 | 15.40 | 0.89 | 935.72 | 929.21 | 937.79 | 739.85 |
| 41 | Agencies (17) | 1298.39 | +1.4 | 4.41 | 1.98 | 30.85 | 0.45 | 1280.77 | 1268.64 | 1271.34 | 0.00 |
| 42 | Chemicals (21) | 1240.15 | +1.1 | 7.16 | 3.40 | 17.01 | 2.85 | 1226.34 | 1217.65 | 1230.17 | 825.90 |
| 43 | Conglomerates (13) | 1266.33 | +2.7 | 6.92 | 3.45 | 17.11 | 0.15 | 1232.51 | 1207.29 | 1218.16 | 0.00 |
| 45 | Shipping and Transport (10) | 1865.20 | +1.1 | 5.65 | 4.00 | 22.34 | 0.00 | 1845.03 | 1836.83 | 1824.00 | 1444.51 |
| 47 | Telephone Networks (2) | 940.75 | −0.4 | 9.94 | 4.10 | 13.72 | 1.09 | 944.91 | 944.86 | 960.62 | 872.56 |
| 48 | Miscellaneous (24) | 1286.07 | +2.6 | 9.51 | 3.27 | 11.85 | 0.40 | 1253.22 | 1246.32 | 1252.50 | 911.13 |
| 49 | INDUSTRIAL GROUP (482) | 1007.59 | +1.5 | 7.28 | 3.11 | 17.42 | 1.29 | 992.52 | 981.65 | 986.70 | 757.88 |
| 51 | Oil & Gas (18) | 1621.88 | +0.5 | 10.46 | 5.59 | 12.09 | 0.00 | 1613.92 | 1602.69 | 1643.13 | 1109.57 |
| 59 | 500 SHARE INDEX (500) | 1059.06 | +1.4 | 7.71 | 3.44 | 16.44 | 1.17 | 1044.66 | 1033.79 | 1041.96 | 788.89 |
| 61 | FINANCIAL GROUP (117) | 683.83 | +1.3 | — | 4.11 | — | 0.52 | 675.19 | 672.63 | 671.13 | 542.75 |
| 62 | Banks (8) | 748.64 | +1.2 | 16.98 | 4.91 | 8.08 | 0.69 | 739.71 | 742.46 | 739.65 | 536.55 |
| 65 | Insurance (Life) (9) | 988.30 | +0.8 | — | 3.93 | — | 0.00 | 980.04 | 976.42 | 974.74 | 809.74 |
| 66 | Insurance (Composite) (7) | 539.96 | +2.0 | — | 4.02 | — | 0.00 | 529.43 | 520.74 | 519.24 | 433.17 |
| 67 | Insurance (Brokers) (9) | 1208.97 | +1.3 | 7.97 | 4.38 | 16.32 | 1.31 | 1193.36 | 1174.67 | 1177.54 | 1277.94 |
| 68 | Merchant Banks (11) | 370.36 | +1.4 | — | 3.11 | — | 0.02 | 365.39 | 362.65 | 361.84 | 316.67 |
| 69 | Property (47) | 874.29 | +1.2 | 5.49 | 3.36 | 23.73 | 0.42 | 864.11 | 863.65 | 863.39 | 717.72 |
| 70 | Other Financial (26) | 421.05 | +1.1 | 7.58 | 3.63 | 16.85 | 1.46 | 416.45 | 414.44 | 413.40 | 307.23 |
| 71 | Investment Trusts (96) | 945.51 | +1.1 | — | 2.44 | — | 0.99 | 935.05 | 935.01 | 934.06 | 678.79 |
| 81 | Mining Finance (2) | 373.74 | +1.3 | 8.28 | 4.30 | 14.35 | 0.00 | 368.99 | 371.57 | 379.50 | 268.22 |
| 91 | Overseas Traders (12) | 855.85 | +0.4 | 9.43 | 5.23 | 12.89 | 0.00 | 852.06 | 850.62 | 854.91 | 650.72 |
| 99 | ALL-SHARE INDEX (727) | 956.60 | +1.3 | — | 3.53 | — | 0.98 | 943.92 | 935.71 | 941.41 | 717.97 |

| | Index No. | Day's Change | Day's High | Day's Low | Feb 13 | Feb 12 | Feb 11 | Feb 10 | Feb 9 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX ♦ | 1898.1 | +19.5 | 1898.4 | 1872.6 | 1878.6 | 1895.8 | 1874.9 | 1910.7 | 1898.4 | 1475.3 |

### FIXED INTEREST

| | PRICE INDICES | Mon Feb 16 | Day's change % | Fri Feb 13 | xd adj. today | xd adj. 1987 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | 5 years | 121.56 | +0.08 | 121.46 | — | 1.10 |
| 2 | 5-15 years | 136.14 | +0.06 | 136.05 | — | 1.98 |
| 3 | Over 15 years | 143.39 | +0.05 | 143.59 | 0.27 | 1.29 |
| 4 | Irredeemables | 157.11 | −0.16 | 157.36 | — | 0.00 |
| 5 | All stocks | 133.60 | +0.07 | 133.55 | 0.04 | 1.61 |
| | Index-Linked | | | | | |
| 6 | 5 years | 118.08 | −0.23 | 118.36 | — | 0.00 |
| 7 | Over 5 years | 119.11 | +0.95 | 118.14 | 0.15 | 0.68 |
| 8 | All stocks | 118.75 | +0.76 | 118.16 | 0.12 | 0.57 |
| 9 | Debentures & Loans | 118.96 | +0.06 | 118.89 | — | 0.32 |
| 10 | Preference | 83.80 | +0.01 | 83.79 | — | 0.31 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Mon Feb 16 | Fri Feb 13 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 9.05 | 9.08 | 9.75 |
| 2 | Coupons | 15 years | 9.29 | 9.26 | 10.14 |
| 3 | | 25 years | 9.73 | 9.73 | 10.15 |
| 4 | Medium | 5 years | 10.18 | 10.20 | 11.27 |
| 5 | Coupons | 15 years | 9.96 | 9.97 | 10.55 |
| 6 | | 25 years | 9.90 | 9.93 | 10.55 |
| 7 | High | 5 years | 10.20 | 10.21 | 11.44 |
| 8 | Coupons | 15 years | 10.12 | 10.12 | 11.03 |
| 9 | | 25 years | 9.86 | 9.86 | 10.38 |
| 10 | Irredeemables | | 9.08 | 9.10 | 10.19 |
| | Index-Linked | | | | |
| 11 | Inflat'n rate 5% | 5 yrs. | 3.25 | 3.09 | 4.72 |
| 12 | Inflat'n rate 5% | Over 5 yrs. | 3.46 | 3.52 | 3.83 |
| 13 | Inflat'n rate 10% | 5 yrs. | 1.52 | 1.35 | 3.76 |
| 14 | Inflat'n rate 10% | Over 5 yrs. | 3.29 | 3.35 | 3.68 |
| 15 | Debs & Loans | 5 years | 10.74 | 10.73 | 11.79 |
| 16 | | 15 years | 10.80 | 10.81 | 11.55 |
| 17 | | 25 years | 10.80 | 10.81 | 11.52 |
| 18 | Preference | | 11.21 | 11.21 | 12.13 |

♦Opening Index 1910.5; 10 am 1911.4; 11 am 1914.1; Noon 1918.5; 1 pm 1919.9; 2 pm 1923.4; 3 pm 1924.2; 3.30 pm 1925.5; 4 pm 1926.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

## LONDON TRADED OPTIONS

| Option | | Calls Apr. | Calls Jly. | Calls Oct. | Puts Apr. | Puts July | Puts Oct. |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*372) | 280 | 100 | 105 | — | 1 | 1 | — |
| | 300 | 80 | 85 | 95 | 1 | 2 | 5 |
| | 330 | 50 | 58 | 73 | 2½ | 10 | 14 |
| | 360 | 23 | 35 | 46 | 12 | 20 | 23 |
| Brit. Airways (*106) | 90 | 20 | 23 | 27 | 2 | 3 | 5 |
| | 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | 110 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | 120 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | 130 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| British Gas (*73) | 60 / 70 / 80 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| B.P. (*769) | 650 / 700 / 750 / 800 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Cons. Gold (*747) | 650 / 700 / 750 / 800 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Courtaulds (*399) | 330 / 360 / 390 / 420 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Com. Union (*346) | 280 / 300 / 330 / 360 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Cable & Wire (*384) | 300 / 330 / 360 / 390 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| G.E.C. (*219) | 180 / 200 / 220 / 240 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Grand Met. (*507) | 390 / 420 / 460 / 500 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| I.C.I. (*1376) | 1250 / 1300 / 1350 / 1400 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Land Securities (*365) | 300 / 330 / 360 / 390 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Marks & Spen. (*212) | 180 / 200 / 220 / 240 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Shell Trans. (*1087) | 1000 / 1050 / 1100 / 1150 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Trafalgar House (*332) | 260 / 280 / 300 / 330 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| TSB (*79) | 70 / 80 / 90 / 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Woolworth (*758) | 700 / 750 / 800 / 850 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | Calls Mar | Calls June | Calls Sep | Puts Mar | Puts June | Puts Sep |
|---|---|---|---|---|---|---|---|
| Bass (*841) | 700 / 750 / 800 / 850 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| GKN (*331) | 260 / 280 / 300 / 330 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Jaguar (*595) | 500 / 550 / 600 / 650 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | Calls Feb | Calls May | Calls Aug | Puts Feb | Puts May | Puts Aug |
|---|---|---|---|---|---|---|---|
| Brit Aero (*666) | 500 / 550 / 600 / 650 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BAT Inds (*527) | 420 / 460 / 500 / 550 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Barclays (*549) | 460 / 500 / 550 / 600 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Brit. Telecom (*235) | 200 / 220 / 240 / 260 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Cadbury Schweppes (*260) | 220 / 240 / 260 / 280 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Guinness (*303) | 280 / 300 / 330 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | Calls Feb. | Calls May. | Calls Aug. | Puts Feb. | Puts May. | Puts Aug. |
|---|---|---|---|---|---|---|---|
| Ladbroke (*444) | 330 | 115 | 120 | 127 | 0½ | 1 | 1 |
| | 360 | 85 | 90 | 97 | 1 | 1½ | 3 |
| | 390 | 55 | 63 | 72 | 1 | 5 | 10 |
| | 420 | 25 | 37 | 45 | 1 | 13 | 18 |
| LASMO (*186) | 140 | 47 | 51 | 56 | 1 | 1 | 3 |
| | 160 | 27 | 35 | 41 | 1 | 4 | 6 |
| | 180 / 200 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Midland Bk. (*635) | 500 / 550 / 600 / 650 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| P. & O. (*619) | 500 / 550 / 600 / 650 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Racal (*226) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| R.T.Z. (*765) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Vaal Reefs | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Tr. 11¾% 1991 (*£106) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Tr. 11¾% 03/07 (*£114) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | Calls Mar | Calls June | Calls Sep | Puts Mar | Puts June | Puts Sep |
|---|---|---|---|---|---|---|---|
| Beecham (*517) | 420 / 460 / 500 / 550 | [illegible] | [illegible] | 10 / 18 / 30 / 55 | [illegible] | [illegible] | [illegible] |
| Boots (*283) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BTR (*324) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Blue Circle (*704) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| De Beers | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dixons (*341) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Glaxo (*1394) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Hanson (*168) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Lonrho (*271) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Tesco (*457) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Thorn EMI (*549) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Trusthouse Forte (*226) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE Index (*1900) | 1650 / 1700 / 1750 / 1800 / 1850 / 1900 / 1950 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

February 16. Total Contracts 55,592. Calls 45,927 Puts 9,665 FTSE Index Calls 1,642 Puts 1,321 *Underlying security price

## NEW HIGHS AND LOWS FOR 1986-87

**NEW HIGHS (273)**

AMERICANS (3), BANKS (3), BREWERS (1), BUILDINGS (19), CHEMICALS (8), STORES (13), ELECTRICALS (19), ENGINEERING (7), FOODS (11), HOTELS (3), *INDUSTRIALS (51)*, *INSURANCE (6)*, LEISURE (5), MOTORS (8), NEWSPAPERS (2), PAPER (15), PROPERTY (17), TEXTILES (5), TOBACCOS (2), TRUSTS (68), OVERSEAS TRADERS (3), MINES (5).

**NEW LOWS (5)**

STORES (1) World of Leather, ELECTRICALS (1) Systems Reliability, *INDUSTRIALS* (1) *Hollis 252pc Ln*, TRUSTS (2) India Fund, Sumit.

## TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

| Stock | Volume 000's | Closing price | Day's change | Stock | Volume 000's | Closing price | Day's change |
|---|---|---|---|---|---|---|---|
| ASDA-MFI | 1,900 | 156 | +2 | Ladbroke | 750 | 444 | +8 |
| Allied Lyons | 3,600 | 373 | +15 | Land Securities | 1,300 | 365 | +5 |
| Amstrad | 2,900 | 159 | +1 | Legal & Gen. | 511 | 309 | +3 |
| Assoc. Brit. Foods | 508 | 337 | +1 | Lloyds Bank | 1,700 | 506 | +9 |
| BAT | 5,700 | 527 | +17 | Lonrho | 11,050 | 270 | — |
| BET | 87 | 503 | +3 | Marks & Spncr | 3,100 | 211 | +3 |
| BOC | 2,100 | 454 | +7 | Midland Bank | 726 | 639 | +5 |
| BPB Inds | 888 | 628 | +18 | NatWest Bank | 1,000 | 622 | +5 |
| BTR | 3,300 | 320 | +1 | Pearson | 1,700 | 571 | +11 |
| Barclays | 1,500 | 549 | +7 | P & O | 349 | 619 | +4 |
| Bass | 245 | 840 | +3 | Pilkington Bros | 2,950 | 716 | +16 |
| Beecham | 2,600 | 516 | +11 | Plessey | 1,350 | 207 | — |
| Blue Circle | 1,700 | 705 | −6 | Prudential | 234 | 910 | +3 |
| Boots | 3,800 | 283 | +5 | Racal | 8,700 | 226 | −1 |
| Brit. Airways | 25,000 | 106 | −1 | Rank Org | 1,293 | 642 | +6 |
| Brit. Aero | 830 | 668 | +7 | RHM | 1,300 | 328 | +8 |
| Brit. Gas | 43,000 | 73 | +2½ | Reckitt & Col | 403 | £10¼ | ⅛ |
| Britoil | 2,900 | 185½ | +2½ | Redland | 1,000 | 484 | +2 |
| BP | 2,300 | 769 | +3 | Reed Intl | 1,400 | 426 | +12 |
| Brit. Telecom | 4,100 | 235 | −2 | Reuters | 404 | 635 | +8 |
| Burton | 8,400 | 273 | +12 | RTZ | 1,400 | 760 | +18 |
| Cable & Wire | 6,300 | 380 | +4 | Rowntree Mac | 994 | 471 | +5 |
| Cadbury Schwps | 7,700 | 262 | +12 | Royal Insurance | 1,300 | 993 | +29 |
| Coats Viyella | 429 | 589 | +4 | STC | 2,900 | 225 | +6 |
| Comm. Union | 3,600 | 348 | — | Saatchi & Saatchi | 852 | 858 | +24 |
| Cons. Gold | 95 | 744 | −3 | Sainsbury | 342 | 470 | +3 |
| Cookson | 397 | 561 | +15 | Scott & Newcastle | 3,800 | 222 | +11 |
| Courtaulds | 532 | 399 | +5 | Sears | 6,700 | 131 | +2 |
| Dee Corp | 1,300 | 239 | +1 | Sedgwick | 2,900 | 322 | +7 |
| Dixons Grp | 1,300 | 341 | +1 | Shell Trans | 1,800 | £10⅞ | — |
| Fisons | 2,000 | 634 | +40 | Smith & Nephew | 11,000 | 161 | +13 |
| Gen. Accident | 366 | 948 | +24 | Standard Chart | 97 | 769 | +9 |
| Gen. Elect | 9,651 | 217 | +2 | Storehouse | 2,850 | 300 | +2 |
| Glaxo | 1,700 | £13⅞ | +⅛ | Sun Alliance | 809 | 738 | +13 |
| Granada | 955 | 324 | +6 | TSB | 3,600 | 80 | +1½ |
| Grand Met | 2,300 | 508 | +9 | Tarmac | 316 | 522 | +9 |
| Gus "A" | 27 | £12⅝ | +⅛ | Tesco | 407 | 458 | +2 |
| Guardian R.E. | 319 | 892 | +18 | Thorn EMI | 1,800 | 548 | +8 |
| GKN | 459 | 331 | +5 | Trafalgar House | 2,600 | 331 | +6 |
| Guinness | 2,600 | 302 | +2 | T'hose Forte | 5,700 | 222 | −4 |
| Hanson Trust | 28,000 | 167 | +6 | Unilever | 603 | £23⅜ | +⅛ |
| Hawker Sidd | 499 | 546 | +9 | United Biscuits | 2,200 | 288 | +9 |
| Hillsdown Hlgs | 8,900 | 258 | +9 | Wellcome | 6,300 | 370 | −4 |
| ICI | 1,500 | £13½ | +⅛ | Whitbread 'A' | 1,400 | 312 | +7 |
| Imp. Cont. Gas | 3,000 | 632 | −5 | Woolworth | 444 | 756 | +2 |
| Jaguar | 1,100 | 593 | +7 | | | | |

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 80 | 20 | 13 |
| Corporations, Dominion and Foreign Bonds | 16 | 0 | 54 |
| Industrials | 751 | 288 | 497 |
| Financial and Properties | 289 | 88 | 211 |
| Oils | 32 | 38 | 42 |
| Plantations | 3 | 3 | 8 |
| Mines | 44 | 58 | 79 |
| Others | 59 | 93 | 38 |
| Totals | 1,274 | 588 | 942 |

## LONDON RECENT ISSUES

### EQUITIES

| Issue Price | Amount Paid up | Latest Renunc. Date | 1986/87 High | 1986/87 Low | Stock | Closing Price | + or − | Net. Div. | Times Cov'd | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ‡‡ | F.P. | 30/1 | 78 | 65 | ‡Avesco (Reg) 1p | 77 | ...... | L0.5 | 6.6 | 0.9 | 19.7 |
| ‡‡ | F.P. | — | 63 | 37 | ‡Border TV | 52½ | −1½ | 2.5 | 3.2 | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

For British Gas see London Share Service (Oil & Gas).

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1986/87 High | 1986/87 Low | Stock | Closing Price £ | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### "RIGHTS" OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1986/7 High | 1986/7 Low | Stock | Closing Price p | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

# WORLD STOCK MARKETS

## AUSTRIA

| Feb. 16 | Price Sch. | + or − |
|---|---|---|
| Credi'nst'lt pp | 2,005 | −5 |
| Goesser | 2,990 | +20 |
| Interunfall | 13,150 | ...... |
| Jungbunzlauer | 9,300 | +20 |
| Laenderbank | 2,000 | +10 |
| Perlmooser | 562 | +4 |
| Steyr Daimler | 141 | −1 |
| Veitscher Mag | 850 | −10 |

## BELGIUM/LUXEMBOURG

| Feb. 16 | Price Frs. | + or − |
|---|---|---|
| B.B.L | 2,890 | −10 |
| Banq.Gen. Lux | 15,650 | ...... |
| Banq.Int.A.Lux | 15,200 | ...... |
| Bekaert | 9,620 | +80 |
| Ciment CBR | 4,520 | +10 |
| Cockerill | 139 | +1 |
| Delhaize | 2,850 | +100 |
| EBES | 5,310 | +140 |
| Fabrique Nat | 1,895 | +85 |
| GB Inno BM | 984 | +14 |
| GBL (Brux) | 3,410 | −90 |
| Generale Bank | 5,340 | +90 |
| Gevaert | 6,240 | +140 |
| Hoboken | 7,850 | −10 |
| Intercom | 4,300 | +60 |
| Kredietbank | 4,350 | +100 |
| Pan Holding | 10,925 | ...... |
| Petrofina | 9,500 | −50 |
| Royale Belge | 24,445 | +145 |
| Soc.Gen. Belge | 3,150 | −5 |
| Sofina | 12,225 | −175 |
| Solvay | 8,960 | +60 |
| Stanwick Int | 300 | +10 |
| Tractebel | 6,600 | +140 |
| UCB | 9,800 | +10 |
| Wagons Lits | 5,600 | −70 |

## DENMARK

| Feb. 16 | Price Knr % | + or − |
|---|---|---|
| Baltica Skand | 865 | −15 |
| Cop Handels'nk | 263 | −3 |
| D. Sukkerfab | 356 | −1 |
| Danske Bank | 326 | −5 |
| East Asiatic | 201 | −4 |
| Forenede Brygg | 930 | +10 |
| GNT Hld | 338 | −12 |
| I.S.S.B | 825 | −5 |
| Jyske Bank | 600 | ...... |
| Novo Inds* | 257 | ...... |
| Privatbanken | 273 | ...... |
| Sophus Berend | 790 | −10 |
| Superfos | 168 | +1 |

## FINLAND

| Feb. 16 | Price Mka | + or − |
|---|---|---|
| Amer | 190 | −3 |
| KOP | 45.5 | +0.5 |
| Kone | 179.5 | +2.5 |
| Finnish Sugar | 97 | −0.5 |
| Nokia | 147 | +0.5 |
| Pohjola 'B' | 68.2 | −0.8 |
| Rauma-Repola | 20.8 | ...... |
| Stockmann 'B' | 176.5 | +5 |
| USF 'C' | 31 | +0.1 |
| Wartsila (S11) | 178 | +2 |

## NETHERLANDS

| Feb. 16 | Price Fls | + or − |
|---|---|---|
| ACF Holdings | 59.5 | −1 |
| AEGON | 81.7 | −0.8 |
| Ahold | 102 | ...... |
| AKZO | 130.5 | −0.7 |
| ABN | 510 | −3 |
| AMEV | 65 | −1 |
| AMRO | 84.7 | −0.2 |
| Bredero Cert | 71 | −4 |
| Buehrmann Tet | 61 | −0.2 |
| Dordtsche Pet'm | 199 | +0.5 |
| Elsevier-NDU | 239 | +1 |
| Fokker | 54.3 | +0.2 |
| Gist Brocades | 40 | ...... |
| Heineken | 156 | −0.5 |
| Hoogovens | 34.1 | +0.3 |
| Hunter Doug NV | 56.5 | ...... |
| IHC Caland | 18 | +1.3 |
| Int. Mueller | 60.2 | −1.6 |
| KLM | 40.7 | −0.4 |
| KNP | 147 | −1 |
| Nat Ned Cert | 71.8 | −0.8 |
| Ned Mid Bank | 178.5 | −1.5 |
| Nedlloyd | 162.5 | +0.5 |
| Oce Grinten | 386 | −8 |
| Ommeren (Van) | 35.2 | −0.2 |
| Pakhoed | 62.5 | −0.7 |
| Philips | 45.4 | +0.2 |
| Robeco | 97 | +0.1 |
| Rodamco | 140.5 | ...... |
| Rolinco | 84.7 | +0.2 |
| Rorento | 50.2 | −0.1 |
| Royal Dutch | 216.6 | +0.9 |
| Unilever | 503 | +0.5 |
| VMF Stork | 25.2 | +0.3 |
| VNU | 306 | ...... |
| Wessanen | 75.4 | ...... |
| Watters Samson | 107 | +0.5 |

## GERMANY

## ITALY

## FRANCE

## NORWAY

## SPAIN

## SWEDEN

## SWITZERLAND

## AUSTRALIA

## AUSTRALIA (continued)

## HONG KONG

## JAPAN

## JAPAN (continued)

## SINGAPORE

## SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

# CANADA

### TORONTO
*Closing prices February 16*

### MONTREAL
*Closing prices February 16*

Total Sales 5,607,702 shares

# Indices

## NEW YORK-DOW JONES

| | Feb 16 | Feb 13 | Feb 12 | Feb 11 | Feb 10 | Feb 9 | 1986/87 High | 1986/87 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | (c) | 2,183.35 | 2,165.78 | 2,171.95 | 2,158.04 | 2,178.74 | 2281.49 (5/2/87) | 1502.29 (22/1/86) | 2201.49 (5/2/87) | 41.22 (2/7/32) |
| Transport | (c) | 822.36 | 816.25 | 815.21 | 807.82 | 815.82 | 924.18 (5/2/87) | 686.97 (9/1/86) | 924.18 (5/2/87) | 12.32 (8/7/32) |
| Utilities | (c) | 220.75 | 219.14 | 221.38 | 221.50 | 223.40 | 227.83 (22/1/87) | 169.47 (22/1/86) | 227.83 (22/1/87) | 10.5 (8/4/32) |
| Trading vol | – | 184.38m | 200.35m | 172.82m | 168.23m | 143.30m | – | – | – | – |

| | Feb 6 | Jan 30 | Jan 23 | Year Ago (Approx) |
|---|---|---|---|---|
| Ind Div Yield % | 3.07 | 3.11 | 3.18 | 3.93 |

### STANDARD AND POORS

| | Feb 16 | Feb 13 | Feb 12 | Feb 11 | Feb 10 | Feb 9 | 1987 High | 1987 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | (c) * | 317.48 | 314.94 | 313.89 | 316.88 | 314.38 | 317.56 (5/2/87) | 224.48 (22/1) | 317.56 (5/2/87) | 3.62 (21/6/32) |
| Composite | (c) * | 279.78 | 278.84 | 277.54 | 275.97 | 278.16 | 281.16 (5/2/87) | 283.49 (22/1) | 281.16 (5/2/87) | 4.40 (1/6/32) |

| | Jan 28 | Jan 21 | Jan 14 | Year Ago (Approx) |
|---|---|---|---|---|
| Ind div yield % | 2.88 | 2.75 | 2.81 | 3.44 |
| Ind. P/E Ratio | 19.87 | 19.34 | 18.83 | 14.88 |
| Long Gov Bond Yield | 10.81 | 8.82 | 7.36 | 8.29 |

### N.Y.S.E. ALL COMMON

| Feb 16 | Feb 13 | Feb 12 | Feb 11 | 1987 High | 1987 Low |
|---|---|---|---|---|---|
| (c) * | 159.56 | 157.58 | 158.47 | 169.36 (5/2/87) | 117.75 (22/1) |

### RISES AND FALLS

| | Feb 13 | Feb 12 | Feb 11 |
|---|---|---|---|
| Issues traded | 1,951 | 1,558 | 1,958 |
| Rises | 1,880 | 787 | 982 |
| Falls | 501 | 851 | 564 |
| Unchanged | 378 | 384 | 413 |

### TORONTO

| | Feb 16 | Feb 13 | Feb 12 | Feb 11 | 1987 High | 1987 Low |
|---|---|---|---|---|---|---|
| Metals & Minls | 2,436.5* | – | (u) | 2,338.8 | 2,442.85 (21/3) | 1,817.4 (5/8) |
| Composite | 3,527.8* | 3,523.4 | 3,502.7 | 3,485.7 | 3,525.2 (6/2/87) | 2,754.0 (17/2) |
| MONTREAL Portfolio | 794.82* | 1,788.24 | 1,783.73 | 1,771.78 | 1,799.88 (6/2/87) | 1,388.6 (22/1) |

* indicates pre-close figure

| | Feb. 16 | Feb. 13 | Feb. 12 | Feb. 11 | 1986/87 High | 1986/87 Low |
|---|---|---|---|---|---|---|
| **AUSTRIA** | | | | | | |
| Creditbk Aktien (30/12/84) | 201.51 | 200.97 | 200.57 | 201.58 | 288.54 (25/4) | 200.37 (12/2/8 |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/84) | 4143.21 | 4113.36 | 4052.86 | 4040.68 | 4143.21 (16/2/87) | 2756.81 (15/1/8) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 205.11 | 205.68 | 206.91 | 210.25 | 250.70 (18/4) | 180.23 (11/11) |
| **FINLAND** | | | | | | |
| Unitas Genl. (1975) | 446.6 | 443.5 | 445.9 | 444.6 | 462.1 (13/1/87) | 256.3 (2/1/86) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 421.1 | 419.2 | 417.20 | 414.9 | 425.7 (29/1/87) | 267.8 (2/1/86) |
| Ind Tendance (31/12/86) | 106.5 | 106.1 | 105.30 | 105.5 | 106.4 (27/1/87) | 97.8 (2/1/87) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 581.82 | 585.62 | 582.67 | 576.85 | 755.86 (17/4) | 556.83 (5/2/87) |
| Commerzbank (1/12/53) | 1754.9 | 1761.1 | 1755.40 | 1740.2 | 2276.9 (17/4) | 1677.8 (5/2/87) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 2786.06 | 2740.49 | 2754.72 | 2759.47 | 2786.06 (16/2/87) | 1559.94 (19.5) |
| **ITALY** | | | | | | |
| Banca Comm. Ital. (1972) | (u) | 892.40 | 888.78 | 882.78 | 806.20 (20/5) | 454.87 (24/1/86) |
| **JAPAN**** | | | | | | |
| Nikkei (16/5/49) | 19652.5 | 19628.97 | 18874.88 | (c) | 20872.1 (2/2/87) | 12981.0 (21/1/86) |
| Tokyo SE New (4/1/68) | 1699.72 | 1712.62 | 1745.44 | (c) | 1752.07 (2/2/87) | 1025.85 (21/1/86) |
| **NETHERLANDS** | | | | | | |
| ANP-CBS General (1970) | 260.8 | 261.2 | 272.60 | 259.0 | 301.8 (5.9) | 240.4 (3/5) |
| ANP-CBS Indust (1970) | 245.6 | 246.1 | 247.80 | 244.4 | 306.9 (19/8) | 254.0 (8/5) |
| **NORWAY** | | | | | | |
| Oslo SE (4/1/83) | 375.74 | 372.7 | 372.40 | 372.25 | 402.81 (16/1/86) | 331.61 (4/6) |
| **SINGAPORE** | | | | | | |
| Straits Times (30/12/66) | 1027.08 | 1016.52 | 1012.98 | 995.11 | 1027.08 (16/2/87) | 565.54 (29/4) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | — | (u) | 1951.0 | 1922.00 | 2121.0 (16/1/87) | 1109.1 (21/4) |
| JSE Indust (28/9/78) | — | 1544.8 | 1542.0 | 1588.00 | 1544.0 (5/2/87) | 1019.3 (2/1/86) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 257.37 | 228.65 | 229.91 | 250.09 | 251.45 (4/2/87) | 100.85 (6/1/86) |
| **SWEDEN** | | | | | | |
| Jacobson & P (31/12/56) | 2289.96 | 2289.47 | 2279.91 | 2264.5 | 2872.78 (7/11) | 1729.57 (29/1/86) |
| **SWITZERLAND** | | | | | | |
| Swiss BankCpn (31/12/58) | 573.6 | 575.9 | 571.60 | 570.10 | 825.5 (8/1/86) | 467.2 (4/8/86) |
| **WORLD** | | | | | | |
| MS. Capital Intl. (1/1/70) | — | 399.7 | 400.8 | 400.4 | 402.4 (2/2/87) | 249.8 (25/1/5 |

** Saturday February 14: Japan Nikkei (c). TSE (c).
Base value of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors 10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day | | Stocks traded | Closing price | Change on day |
|---|---|---|---|---|---|---|---|
| Niag. Mohawk | 6,846,500 | 17¾xd | −⅛ | Exxon | 1,672,000 | 81 | +¾ |
| Texaco | 6,239,800 | 35½ | −3 | IBM | 1,409,900 | 134½ | +1⅞ |
| ATT | 2,203,200 | 23¾ | — | Owens-Ill. | 1,366,800 | 59⅝xd | +¾ |
| Pennzoil | 1,936,600 | 81⅛ | +10⅝ | Hewlett-Pack | 1,328,400 | 56¾ | +2⅝ |
| Gen. Elec. | 1,725,000 | 103⅛ | +5⅛ | Himont Inc. | 1,316,300 | 33¾ | +2⅞ |

### TOKYO — Most Active Stocks
**Monday, February 16, 1987**

| | Stocks Traded | Closing Price | Change on Day | | Stocks Traded | Closing Price | Change on Day |
|---|---|---|---|---|---|---|---|
| Nippon Steel | 187.22m | 289 | −5 | Nippon Light Metal | 15.84m | 383 | +16 |
| Kobe Steel | 71.88m | 247 | +2 | Sumitomo Metal | 14.21m | 188 | −4 |
| Sumitomo Chem. | 48.39m | 658 | +48 | Toray | 13.84m | 725 | −4 |
| Mitsui Eng. & Ship | 42.74m | 213 | +14 | Mitsui Toatsu Chem. | 12.38m | 448 | −8 |
| Nippon Zeon | 28.13m | 698 | +100 | Japan Line | 11.79m | 106 | +7 |

### LONDON — Most Active Stocks
**Monday, February 16, 1987**

| | Stocks Traded | Closing Price | Change on Day | | Stocks Traded | Closing Price | Change on Day |
|---|---|---|---|---|---|---|---|
| Brit Gas | 43.88m | 73 | +2½ | Gen Elect | 9.65m | 217 | +2 |
| Hanson Trust | 28.88m | 167 | +5 | Hillsdown Hlgs | 8.90m | 258 | +9 |
| Brit. Airways | 25.88m | 108 | −1 | Racal | 8.70m | 226 | −1 |
| Lonrho | 11.85m | 278 | – | Burton | 8.48m | 273 | −2 |
| Smith & Nphw | 11.09m | 161 | +13 | Cdbry Schwps | 7.70m | 262 | +12 |

## LONDON
### Chief price changes
(In pence unless otherwise indicated)

**RISES**

| | | |
|---|---|---|
| Tr. 1½pc IL 2011 | 110⅝ | +90⅝ |
| Avana | 724 | +28 |
| BPB Inds. | 628 | +18 |
| BSR Intl. | 125 | +7 |
| Bailey (Ben.) | 55 | +13 |
| Beecham | 516 | +11 |
| Brit. Vita | 370 | +27 |
| C Schweppes | 262 | +12 |
| Citygrove | 123 | +25 |
| Comb Lease Fin | 159 | +11 |
| DRG | 381 | +12 |
| Fisons | 634 | +40 |
| Glaxo | £13⅞ | +½ |
| Gold Greenl | 236 | +18 |
| Goodhead Prt. | 203 | +13 |
| Hill Samuel | 453 | +15 |
| Humber Elec. | 23½ | +6½ |
| ICI | £13½ | +¼ |
| Lookers | 306 | +11 |
| Media Tech. | 120 | +15 |
| Petrogen | 29 | +6 |
| Pilkington Bros. | 716 | +16 |
| RRM | 328 | +8 |
| RTZ | 760 | +18 |
| Royal Ins. | 993 | +29 |
| Salvesen (Chri) | 163 | +6 |
| TI Group | 603 | +16 |
| Tarmac | 522 | +9 |
| Vickers | 495 | +9 |

**FALLS:**

| | | |
|---|---|---|
| ACM | 297 | −16 |

## Sema Metra advances

**By George Graham in Paris**

SEMA METRA, the fast growing French software company, increased its profits by 40 per cent last year and forecasts a further 25 per cent rise in 1987.

Net earnings in 1986 rose to FFr 40m ($6.6m), or FFr 38m excluding minorities. Consolidated sales rose 24 per cent to FFr 1.4bn and are forecast to increase by another 15 per cent in 1987.

The company, which is 54 per cent controlled by Paribas and itself owns the market research company Sofres, came to the Paris second market in October 1985.



# US QUARTERLIES

**ADOLPH COORS**
Brewer

| Fourth quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 275.9m | 273.9m |
| Net profits | 4.04m | 7.81m |
| Net per share | 0.11 | 0.22 |
| **Year** | | |
| Revenue | 1.31BN | 1.28bn |
| Net profits | 59.4m | 53.4m |
| Net per share | 1.65 | 1.52 |

**AMFAC**
Wholesale distribution, foods, hotel, resorts

| Fourth quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 532.4m | 511.2m |
| Net profits | †15.5m | 14.4m |
| Net per share | †1.03 | 0.80 |
| **Year** | | |
| Revenue | 1.36bn | 1.32bn |
| Net profits | †13.4m | 28.2m |
| Net per share | †0.83 | †1.74 |

†Loss

**BRUNSWICK CORPORATION**
Marine, recreational and technical products

| Fourth quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 471.3m | 388.6m |
| Net profits | 25.6m | 22.9m |
| Net per share | 0.61 | 0.54 |
| **Year** | | |
| Revenue | 1.72bn | 1.54bn |
| Net profits | 110.3m | 100.3m |
| Net per share | 2.63 | 2.34 |

**CELANESE CORPORATION**
Man-made fibres, chemicals

| Fourth quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 790.0m | 760.0m |
| Net profits | 57.0m | 60.0m |
| Net per share | 5.04 | 4.11 |
| **Year** | | |
| Revenue | 2.89bn | 3.05bn |
| Net profits | 213.0m | 178.0m |
| Net per share | 18.11 | 13.70 |

**COASTAL CORPORATION**
Natural gas systems

| Fourth quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 1.9bn | 2.0bn |
| Net profits | 66.9m | 49.2m |
| Net per share | 1.99 | 1.26 |
| **Year** | | |
| Revenue | 6.7bn | 7.3bn |
| Net profits | 71.6m | 142.4m |
| Net per share | 1.25 | 3.61 |

**COMBINED INTERNATIONAL**
Accident/health/life insurer

| Fourth quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 587.6m | 380.3m |
| Op. net profits | 49.3m | 43.3m |
| Op. net per share | 1.48 | 1.30 |
| **Year** | | |
| Revenue | 1.81bn | 1.36bn |
| Op. net profits | 184.2m | 161.0m |
| Op. net per share | 5.51 | 4.84 |

**CONTINENTAL CORPORATION**
Insurance, consumer finance

| Fourth quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | – | – |
| Op. net profits | 77.6m | †112.3m |
| Op. net per share | 1.25 | †2.13 |
| **Year** | | |
| Revenue | – | – |
| Op. net profits | 223.2m | †55.3m |
| Op. net per share | 3.62 | †1.16 |

†Loss

**ENRON**
Gas pipeline system operator – formerly HNG Internorth

| Fourth quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 1.53bn | 3.05bn |
| Op. net profits | †176.1m | †12.5m |
| Op. net per share | †2.96 | †0.55 |
| **Year** | | |
| Revenue | 7.59bn | 9.72bn |
| Op. net profits | †80.9m | 125.4m |
| Op. net per share | †2.92 | 1.74 |

†Loss

**MELVILLE CORPORATION**
Specialty retailer

| Fourth quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 1.73bn | 1.59bn |
| Op. net profits | 133.7m | 126.3m |
| Op. net per share | 2.47 | 2.34 |
| **Year** | | |
| Revenue | 5.26bn | 4.77bn |
| Op. net profits | 238.3m | 219.5m |
| Op. net per share | 4.40 | 4.07 |

**MORRISON KNUDSEN**
Engineering, construction, shipbuilding

| Fourth quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 535m | 580m |
| Net profits | 10.9m | 13.2m |
| Net per share | 0.99 | 1.22 |
| **Year** | | |
| Revenue | 2.11bn | 2.12bn |
| Net profits | 30.4m | 41.5m |
| Net per share | 3.60 | 3.85 |

**NEW YORK TIMES**
Diversified media business

| Fourth quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 417.9m | 365.2m |
| Net profits | 34.8m | 30.2m |
| Net per share | 0.43 | 0.38 |
| **Year** | | |
| Revenue | 1.6bn | 1.4bn |
| Net profits | 132.2m | 116.3m |
| Net per share | 1.63 | 1.45 |

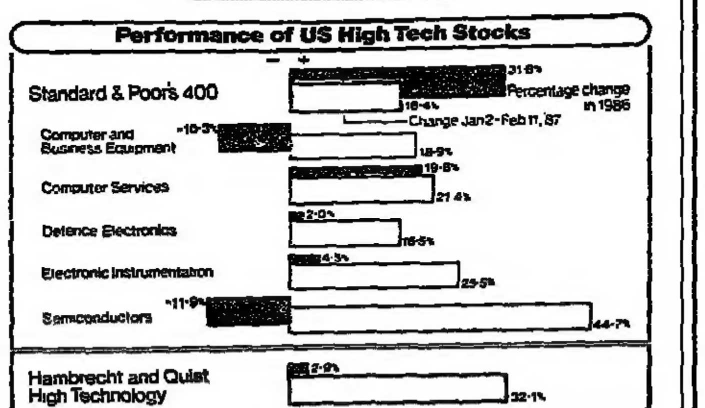
**PERKIN-ELMER**
Semiconductors, minicomputers

| Second quarter | 1986-87 $ | 1985-86 $ |
|---|---|---|
| Revenue | 321.2m | 325.5m |
| Net profits | 12.1m | 19.1m |
| Net per share | 0.27 | 0.43 |
| **Six months** | | |
| Revenue | 632.8m | 6.20m |
| Net profits | 23.1m | 33.6m |
| Net per share | 0.51 | 0.75 |

FINANCIAL TIMES

# WORLD STOCK MARKETS

## AMERICA




# High-tech sector back in vogue

*HIGH-TECHNOLOGY stocks* are back in fashion on Wall Street after several years of neglect, *writes Roderick Oram in New York.*

While broad market indices are showing gains of around 15 per cent in the first six weeks of this year, a rise of 32 per cent has been chalked up by 175 high-tech stocks in an index compiled by Hambrecht and Quist, a San Francisco securities house specialising in the sector.

Similarly, the Standard & Poor's *400 industrial index has advanced* 16.4 per cent, while various of its sub-sectors covering high-tech companies have jumped far more with semiconductors outperforming the lot with a rise of 44.7 per cent.

Improving business prospects for many of the companies is part of the reason for their new found favour with investors. But they have also bounced back because they were undervalued compared with the market as a whole.

**Wall Street was closed yesterday for the George Washington Birthday holiday**

Between 1982 and 1983 the group was at the forefront of the first leg of the bull market until disappointing earnings, the impact of a high dollar, increased competition and restructuring in some sectors *prompted many investors to weed* them out of their portfolios.

The search for undervalued stocks has triggered a scramble back into high-tech companies, which in turn is bringing a flood of new offerings to the markets. Inevitably the overall picture masks some individual failures. IBM, for *example, continues to languish with* investors realising that Big Blue will take several years to recuperate from its severe problems.

Semiconductors have performed the best in the past few months on the first signs of some pick-up in the fortunes of the sector. The falling dollar and rising yen are bring*ing chip makers some relief from* years of intense competition from the Japanese.

Some questions cloud the outlook, however The US-Japan bilateral semiconductor trade pact is under severe strain. US chip makers cannot be sure they will get the lion's share of the increased demand and the industry is lacking the brisk business from computer *makers or demand for some hot* new product.

None the less, semiconductor stocks are performing like their old *selves. "They are so volatile you* don't buy them, you rent them by getting in and out quickly," says Mr Newton Zinder, an analyst with E. F. Hutton.

Telecommunications equipment is one sector which shows some of the characteristics of high-tech stocks in general, although it has had to cope with the uniquely traumatic experience of the break up of the Bell Telephone System in January 1983.

*As a result of the breakup,* competition among equipment suppliers switched from quality to pricing. New entrants surged into the industry expecting the deregulation to bring a rapid acceleration in demand. This failed to materialise on the scale envisaged, forcing a shakeout.

*Some companies such as* Harris and Scientific-Atlanta have cut costs and adjusted to the new environment. Even though demand is *likely to pick up only modestly,* the added business should flow strongly through to profits, says Mr Joseph Bellace, an analyst with Merrill Lynch.

The sudden boom has already pushed some high-tech stocks to price-earnings ratios which look too generous to be sustained.

*Any further advance is likely to* be more selective, argues Mr Richard McCabe, a technical market analyst with Merrill Lynch. His firm has picked computer services, computer software, personal computers, telecommunications equipment and semiconductors as some of the sectors with unfulfilled potential.

## CANADA

LIGHT early trading lifted Toronto stock prices in most sectors.

Dome Petroleum added 5 cents to C$1.04 as the company refused to comment on reports it was negotiating a buyout by British Petroleum. *Dome's subsidiary* Encor was steady at C$6¾ amid news of a 1986 fourth-quarter writedown of C$15.7m.

Other oil stocks were mixed. Falconbridge was most active, adding C$⅛ to C$19⅛. Noranda put on C$⅛ to C$26⅜. Gold mining stocks also firmed.

*Montreal* industrials eased while banks and utilities firmed.

## LONDON

BLUE CHIP stocks soared to record levels in London yesterday as domestic investors grew confident of a tax-cutting budget and lower interest rates next month.

Gaining further encouragement from Wall Street's strong rise on Friday, the UK equity *market was buoyant from the opening.* The main stock indices made relentless progress and, for only the second time, the FT-SE 100 index burst through the 1,900 level, closing up 27.7 at a peak of 1,925.8. The narrower FT Ordinary share index rose 21.1 to a record 1,542.1.

*Consumer-related stocks were the fore*runners of the buy movement, maintaining their momentum despite disappointing retail sales figures for January. Analysts blamed the 2.6 per cent fall on last month's adverse weather.

US favourites like Glaxo and ICI were marked up to the price levels reached in New York on Friday and immediately gained more ground. Glaxo was up £½ to £13⅜ and ICI £⅛ at £13½ on UK-based buying as most *US markets were closed for the holiday.*

British Gas topped the active list with 43m shares traded and finished 2½p higher at 73p.

*In other active stocks,* Lonrho was steady at 270p on 11m shares traded and British Airways eased 1p to 106p on 25m shares.

Conventional Government bonds were restrained by currency uncertainty and the absence of guidance from the US bond market. Hope that the Group of Five nations would eventually reach agreement on stabilising exchange rates were dashed as the dollar came under renewed pressure.

**Chief price changes, Page 37; Details, Page 36; Share information service, Page 34-35**

## EUROPE

# Dollar fall fuels foreign selling in Frankfurt

THE DOLLAR'S chronic weakness, accentuated by US Treasury Secretary Mr James Baker's remarks that the currency should be left to *find its market level,* continued to restrain European bourses. A lack *of corporate news and* the holiday on Wall Street also dampened the markets.

**Frankfurt** fell sharply, with most sectors retreating on overseas selling spurred by the dollar's persistent weakness. Finance Ministry figures showing that GDP was flat for the fourth quarter last year also fuelled investor pessimism.

Banks were weaker amid market *nervousness that already low inter*est rates could dip further. Deutsche Bank hit a 12-month low of DM 681.50, down DM 15.50, while Commerzbank lost DM 10.00 to DM 264.00 and Dresdner Bank fell DM 5.70 to DM 385.00

Car stocks also featured among declines. Porsche continued its slide, losing DM 20 to reach a 12-month trough of DM 805, Daimler fell DM 14 to DM 954, BMW was DM 3.10 off at DM 495 and VW dropped DM 5.50 to DM 343.

Siemens also fell, by DM 9.70 to DM 649, amid news it had secured a $12m contract for a public exchange switch with Ameritech of Chicago.

In chemicals, Bayer eased DM 5.30 to DM 285.30, BASF shed DM 4.50 to DM 249 and Hoechst lost DM 2.80 to DM 246.30.

Engineering stock KHD was DM 4 lower at DM 155.50 and Mannesmann at DM 146.50 was down DM 1.

Bonds were down in thin trade, the Bundesbank bought DM 7.8m of paper against Friday's sale of DM 88.9m.

**THE FINNISH Parliament has approved legislation allowing foreign investors to own up to 40 per cent of the shares of a local company, double the current 20 per cent level, although voting rights will remain unchanged at 20 per cent.**

**Approval has also been given for legislation curbing corporate stock ownership by Finnish banks to a maximum 10 per cent from the current 20 cent and by insurance companies to 20 per cent from 50 per cent. The new regulations are expected to come into effect within the next three months.**

The Commerzbank index of 60 shares was 6.2 off at 1,754.9.

**Amsterdam** closed mixed in dull trading as institutions and investors stayed sidelined in the absence of trade on Wall Street. Among internationals, Philips fell Fl 1 to Fl 45.20, but Royal Dutch put on Fl 1.10 to Fl 216.60.

Brewer Heineken lost 50 cents to Fl 156.00, while drinks group Bols shed Fl 3.00 to Fl 146.00.

Océ-Van der Grinten, the copier-maker, continued to be depressed by Friday's news that it was to sell its chemical unit Océ-Andeno to the Dutch State Mines. It lost Fl 8.00 to Fl 386.00.

**Zurich** finished mixed to lower in patchy trading.

Banks eased slightly, with UBS bearer shares down SFr 110 to SFr 5,550, Baer bearer SFr 200 off at SFr 20,200 and Vontobel bearer losing SFr 100 to SFr 14,100.

Selected financials and holding stocks, however, picked up ground, with Adia registered gaining SFr 100 to SFr 4,700 and certificate *shares up SFr 11 to SFr 867.* Mikron bearer rose SFr 90 to SFr 2,590 on the back of Friday's announcement of better than expected results. Insurers were narrowly mixed.

Engineering group Saurer put on SFr 21 to SFr 205 with the rest of the sector steady.

**Brussels** edged firmer as the success of the Government's pension scheme to encourage share ownership continued to bolster the market.

*Electricals and insurers consoli*dated last week's strong advances, with Ebes adding BFr 220 to BFr 5,420, Electrofina picking up BFr 150 to BFr 6,500 and Royale Belge rising BFr 140 to BFr 4,500.

**Paris** rose lightly in thin trade, with dealers still restrained by the dollar's poor showing. Falls outpaced rises by 88 to 85 with 17 stocks unchanged.

*Schneider led advances, putting* on FFr 34 to FFr 614. Avionics group Avions Dassault added FFr 99 to FFr 1,410 on the weekend's announcement that the French Government has relaunched a project to build a fighter aircraft based on the company's Rafale prototype.

**Stockholm** lost ground in dull *trade as institutions stayed side*lined despite a modest fall in interest rates. The Veckans Affarer all-share index was off 2.2 at 836.7.

**Madrid** rallied strongly on an active day. Utilities, chemicals, constructions, metals and banks all firmed.

**Oslo** also rose across most sectors following the central bank's cut in overnight bank lending rates.

**Milan** was mixed *in moderate* trading.

**Brussels stock incentive scheme, Page 22**

## SOUTH AFRICA

THE HIGHER financial rand and little changed bullion price put pressure on gold shares in Johannesburg while industrial stocks were mixed.

The slight rise in the rand triggered some overseas selling of gold shares. Randfontein was down R6 to R374, Driefontein R1.50 to R73 and Vaal Reefs R3 to R367.

Most other mining stocks eased too, with De Beers off 75 cents to R40.25 and Impala Platinum 50 cents lower at R54.

The industrial index edged up 3 to a new high of 1,547. But Barlow Rand lost 10 cents to R19.65, while chemicals group AE&Cl was steady at R16.

## ASIA

# Industrials succumb as turnover plummets

## TOKYO

THE SHARP downward trend continued in Tokyo yesterday as small-*lot selling spread and buying dimin*ished, *writes Shigeo Nishiwaki of Jiji Press.*

Financial stocks and large-capital issues like steels and shipbuildings fell back after leading the market higher since January. But some speculative stocks and issues related to acquired immune deficiency syndrome (Aids) finished well up from Friday.

The Nikkei average of 225 select issues closed 96.40 lower at 19,532.47 after falling 246.02 on Friday.

*Losses outpaced gains by 475 to* 392, with 144 issues unchanged, on sharply lower volume of 752m compared with 1.63bn.

*The main explanation for the* drop in turnover was that the weekly moving average ratio of the 10 most active stocks to overall volume had reached 58.1 per cent last Thursday, above the warning line of 50 per cent. Investors recalled that the market nosedived immediately after the ratio hit 64.1 per cent last October.

Another factor was Friday's report that the *Finance Ministry and* the Bank of Japan were reviewing the "tokkin" specified money trusts and fund trusts, which have been growing fast and have considerable influence on Japanese stock markets. Few people expect the monetary authorities actually to adopt regulatory measures but investors have nonetheless become cautious.

With the slowdown in trading, investors sought speculative issues. Sumitomo Chemical shot up Y49 to Y650 on volume of 49.40m shares, reflecting the market's belief that it is one of the leading companies making or developing Aids-related products.

Other stocks linked to Aids did well, with Mitsubishi Kakoki Kaisha scoring daily limit gains of Y100 to Y755, Okamoto soaring Y220 to Y1,760 and Japan Synthetic Rubber Y80 to Y495. However, Ajinomoto dropped Y50 to Y2,340 *and Toray* fell Y5 to Y725.

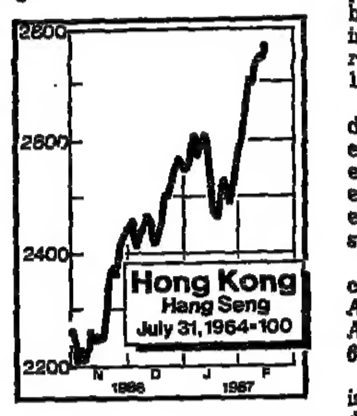
Among chemicals, Nissan Chemical Industries and Nippon Soda jumped Y38 to Y465 and Y78 to Y518, respectively. An official at a major securities house said speculators were responsible for most buying.

*Nippon Steel was once again the* most active stock but turnover plummeted from between 300m and 500m shares last week to 107.22m shares. It opened Y5 higher but finished Y5 lower at Y280 under selling pressure.

Other large-capital issues fell, among them Sumitomo Metal Industries, Y4 down at Y189, Kawasaki Heavy Industries, Y7 down at Y222, and Kawasaki Steel, Y4 lower at Y226.

Other major losers included financial stocks, particularly trust banks, whose profits would suffer if regulatory steps were taken on "tokkin" accounts. Sumitomo Trust & Banking saw its price fall Y190 to Y4,000 and Mitsubishi Trust & Banking Y110 to Y3,730.

Bond yields rose sharply in ex*tremely thin trading.* Dealers stayed away from the market because *of uncertainty over a Group of Five* meeting of finance ministers and central bank governors, which *is* expected to be followed by a further cut in the Bank of Japan's official discount rate, already at a record low. The yield on the 5.1 per cent government bond due in June 1996 went up from 4.745 per cent on Friday to 4.780 per cent on light selling.




## HONG KONG

RENEWED overseas buying pushed Hong Kong to a fresh re*cord as the Hang Seng index* jumped 25.57 to a peak 2,766.06. Turnover slipped to HK$1.09bn from Friday's HK$1.45bn.

Utilities and properties, the foundations of the current rally, performed well in selective buying and many issues hit new 12-month trading peaks.

Hongkong Electric firmed 40 cents to HK$13.90, a new high for the year, *while a 20-cent advance* for Hongkong & China Gas returned the utility to its 1986-87 trading high of HK$23.30. Hongkong Telephone also managed a 20-cent rise to HK$14.60, while China Light & Power moved against the trend with its 10-cent drop to HK$21.30.

Fresh peaks were scaled among property stocks with Cheung Kong HK$1 stronger at HK$43.00, a 12-month high, *while Sun Hung Kai* Properties jumped to a record with its 80-cent rise to HK$22.10 on renewed speculation that the group was poised to make a major acquisition soon.

Trading in Bond Corp International, the 66 per cent owned subsidiary of Bond Corp of Australia, *was suspended* in the wake for public apologies by Mr Alan Bond, chairman, *for publicly misrepresen*ting the company's net asset value *last month. It was last traded at* HK$3.07.

Orient Overseas, the *public arm* of the troubled C.H. Tung shipping group, surged *HK$2.10 to HK$0.30* in thin trading.

The South China Morning Post, whose listing right will be sold to the New Zealand Chase Corp, was suspended after price-sensitive comments made by Chase to the media.

## AUSTRALIA

A SHARP RISE in the January current account deficit and the prospect of high interest rates to support a falling Australian dollar combined to dampen market sentiment in Sydney and push the All Ordina*ries index down* 1.9 to close at 1,573.9.

The *A$1.29bn current account* deficit was larger than the market expected and the subsequent interest rate fears hit banks and retailers in particular, countering buying enthusiasm for other industrial stocks.

National Australia Bank lost 12 cents to A$5.40, ANZ 14 cents to A$5.66 and Westpac 3 cents to A$4.72. Retailer Coles Myer was off 6 cents at A$8.24.

In industrials, Elders IXL finished 24 cents *lower at A$5.00 after* dropping to A$4.96 at one stage. The group announced record interim profits and a large rights issue.

Among other companies reporting results, transport group TNT rose 2 cents to A$4.17

Bond Corp eased 12 cents to A$2.78 following the apologies *made by chairman Alan Bond for* mistating the asset value of Hong *Kong subsidiary Bond Corp Inter*national last month.

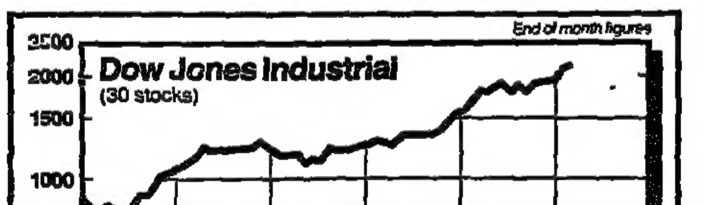
## SINGAPORE

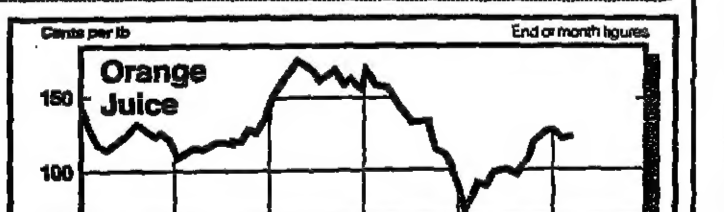
THE BULLISH mood continued in*to a sixth consecutive session in* Singapore as local and foreign buying pushed the Straits Times industrial index up 10.51 at 1,027.03. This is its highest level since February 27 1984, when it reached 1,028.84.

In turnover of 58.4m shares, up 7.6m from Friday, interest was focused particularly on Malaysian is*sues. Multi-Purpose Holdings* was the most active stock following its *announcement* of a management reshuffle, and it rose 29½ cents to S$1.02 on 6.2m shares traded.

Other Malaysian advances included Selangor Properties, up 10 cents to S$1.65, Malayan Banking, also 10 cents higher at S$7.05, and Genting, 5 cents ahead at S$7.75, a 12-month peak.

## KEY MARKET MONITORS




### STOCK MARKET INDICES

| | Feb 16 | Previous | Year ago |
|---|---|---|---|
| **NEW YORK** | | | |
| DJ Industrials | (c) | 2,183.85 | 1,644.45 |
| DJ Transport | (c) | 922.36 | 772.91 |
| DJ Utilities | (c) | 220.75 | 180.70 |
| S&P Comp. | (c) | 279.70 | 219.76 |
| **LONDON FT** | | | |
| Ord | 1,542.1 | 1,521.0 | 1,220.7 |
| SE 100 | n/a | 1,898.1 | 1,477.9 |
| A All-share | 956.60 | 943.92 | 955.60 |
| A 500 | 1,059.06 | 1,044.66 | 717.87 |
| Gold mines | 306.3 | 308.7 | 320.4 |
| A Long gilt | 9.86 | 9.86 | 10.43 |
| **TOKYO** | | | |
| Nikkei | 19,532.47 | 19,628.87 | 13,342.8 |
| Tokyo SE | 1,698.72 | 1,712.52 | 1,063.76 |
| **AUSTRALIA** | | | |
| All Ord. | 1,573.9 | 1,576.0 | 1,048.7 |
| Metals & Mins. | 757.8 | 762.9 | 503.7 |
| **AUSTRIA** | | | |
| Credit Aktien | 201.31 | 200.97 | 238.14 |
| **BELGIAN SE** | | | |
| Belgian | 4,143.2 | 4,113.36 | 3,063.62 |
| **CANADA** | | | |
| **Toronto** | | | |
| Met.& Mins. | 2,436.6* | — | 2,122.0 |
| Composite | 3,527.8* | 3,523.4 | 2,761.3 |
| **Montreal** | | | |
| Portfolio | 1,794.82 | 1,796.24 | 1,134.02 |
| **DENMARK SE** | 205.11 | 205.68 | 229.79 |
| **FRANCE** | | | |
| CAC Gen | 421.1 | 419.2 | 299.6 |
| Ind. Tendance | 106.30 | 106.1 | 70.20 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 581.82 | 583.62 | 647.56 |
| Commerzbank | 1,754.90 | 1,761.1 | 1,955.4 |

| | Feb 16 | Previous | Year ago |
|---|---|---|---|
| **HONG KONG** Hang Seng | 2,766.06 | 2,740.49 | 1,777.54 |
| **ITALY** Banca Comm. | — | 692.40 | 515.43 |
| **NETHERLANDS** ANP CBS | | | |
| Gen | 250.80 | 251.2 | 252.7 |
| Ind | 245.60 | 246.1 | 244.3 |
| **NORWAY** Oslo SE | 375.74 | 372.7 | 375.65 |
| **SINGAPORE** Straits Times | 1,027.00 | 1,016.52 | 622.92 |
| **SOUTH AFRICA JSE** | | | |
| Golds | — | (u) | 1,192.7 |
| Industrials | — | 1,544.0 | 1,109.2 |
| **SPAIN** Madrid SE | 237.37 | 228.83 | 111.89 |
| **SWEDEN** J & P | 2,269.96 | 2,269.47 | 1,624.53 |
| **SWITZERLAND** Swiss Bank Ind | 573.60 | 575.8 | 569.3 |
| **WORLD** MS Cap. Int'l Feb 13 | 399.7 | 400.6 | 271.2 |

### COMMODITIES (London)

| | Feb 16 | Prev |
|---|---|---|
| Silver (spot) | 356.50p | 358.00p |
| Copper (cash) | £885.25 | £1,547.00 |
| Coffee (March) | £1,510.00 | £1,530.50 |
| Oil (Brent) | $17.375 | $17.475 |

### GOLD ($/oz)

| | Feb 16 | Prev |
|---|---|---|
| London | 397.25 | 397.25 |
| Zürich | 397.75 | 395.75 |
| Paris (fixing) | 399.98 | 397.12 |
| Luxembourg | 397.25 | 396.25 |
| New York (April) | 400.70 | 398.30 |

* Indicates latest pre-close figure

### CURRENCIES (London)

| | US DOLLAR Feb 16 | US DOLLAR Previous | STERLING Feb 16 | STERLING Previous |
|---|---|---|---|---|
| $ | — | — | 1.5195 | 1.5205 |
| DM | 1.8220 | 1.8295 | 2.7675 | 2.7825 |
| Yen | 153.55 | 153.70 | 233.23 | 233.75 |
| FFr | 6.0675 | 6.0975 | 9.22 | 9.27 |
| SFr | 1.5400 | 1.5480 | 2.34 | 2.3525 |
| Fl | 2.0550 | 2.0635 | 3.1225 | 3.1375 |
| Lira | 1,294 | 1,301 | 1,966.25 | 1,978 |
| BFr | 37.60 | 37.90 | 57.15 | 57.85 |
| C$ | 1.3365 | 1.3420 | 2.0310 | 2.04415 |

### INTEREST RATES

| | Feb 16 | Prev |
|---|---|---|
| **Euro-currencies** (3-month offered rate) | | |
| £ | 10 9/16 | 10 11/16 |
| SFr | 3⅝ | 3⅝ |
| DM | 4 7/16 | 4 7/16 |
| FFr | 8⅝ | 8 7/16 |
| **FT London Interbank fixing** (offered rate) | | |
| 3-month US$ | 6 7/16 | 6⅜ |
| 6-month US$ | 6 7/16 | 6⅜ |
| **US Fed Funds** | (c)* | 6 1/16 |
| **US 3-month CDs** | 6.05* | 6.225 |
| **US 3-month T-bills** | 5.635* | 5.86 |

### FINANCIAL FUTURES

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| **CHICAGO** | | | | |
| **US Treasury Bonds (CBT)** 8% 32nds of 100% | | | | |
| Feb 16 | | | | |
| March | 99–16 | 99–26 | 99–12 | 99–11 |
| **US Treasury Bills (IMM)** $1m points of 100% | | | | |
| March | 94.32 | 94.39 | 94.29 | 94.28 |
| **Certificates of Deposit (IMM)** $1m points of 100% | | | | |
| March | 93.91 | – | – | 93.90 |
| **LONDON** | | | | |
| **Three-month Eurodollar** $1m points of 100% | | | | |
| March | 93.47 | 93.49 | 93.46 | 93.56 |
| **20-year Notional Gilt** £50,000 32nds of 100% | | | | |
| March | 116–06 | 116–14 | 116–05 | 116–04 |

### US BONDS

**Treasury**

| | February 16* Price | February 16* Yield | Prev Price | Prev Yield |
|---|---|---|---|---|
| 6⅝ 1988 | (c) | (c) | 99 19/32 | 6.46 |
| 7¼ 1993 | (c) | (c) | 99 19/32 | 7.124 |
| 7¼ 1996 | (c) | (c) | 99 26/32 | 7.30 |
| 7½ 2016 | (c) | (c) | 98 29/32 | 7.59 |

Source: Harris Trust Savings Bank

**Treasury Index**

| Maturity (years) | Feb 16 Return index | Day's change | Yield | Day's change |
|---|---|---|---|---|
| 1–30 | 161.64 | –0.17 | 7.04 | +0.02 |
| 1–10 | 153.67 | –0.13 | 6.76 | +0.02 |
| 1– 3 | 143.41 | –0.05 | 6.46 | +0.01 |
| 3– 5 | 156.58 | –0. 6 | 6.82 | +0.05 |
| 15–30 | 190.12 | –0.21 | 7.53 | +0.01 |

Source: Merrill Lynch

**Corporate**

| | February 12* Price | February 12* Yield | Prev Price | Prev Yield |
|---|---|---|---|---|
| **AT & T** 3⅞ July 1990 | (c) | (c) | 92.75 | 6.20 |
| **SCBT South Central** 10⅞ Jan 1993 | (c) | (c) | 105.375 | 9.70 |
| **Phibro Sal** 8 April 1996 | (c) | (c) | 99.858 | 8.15 |
| **TRW** 8⅞ March 1996 | (c) | (c) | 103.75 | 8.20 |
| **Arco** 9⅞ March 2016 | (c) | (c) | 112.75 | 8.70 |
| **General Motors** 8⅝ April 2016 | (c) | (c) | 93.875 | 8.70 |
| **Citicorp** 9⅝ March 2016 | (c) | (c) | 102.25 | 9.03 |

Source: Salomon Brothers

* Latest available figures